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CREDIT

and Financial Management

April 1945

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*Guarding the
Nation's Profits*

CREDIT

and Financial Management

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Let's Do Something About Conservation

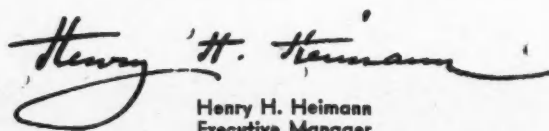
Each year, in the areas in our country subject to floods, many of our people dread the coming of Spring. They live in fear of an impending catastrophe. Statistically, floods may not be more numerous in recent years than in the earlier days, but flood consciousness is certainly more in evidence as years go by.

Aside from the responsibility for protecting human life and property, which is naturally the primary responsibility of government—national and local—there is a very important conservation problem that confronts this nation. The floods only emphasize one phase of that problem.

No nation is so rich in natural resources that its supply is inexhaustible. No nation is so rich in human resources that it can afford either the unnecessary loss of life or the generation of fear that affects the comforts of life. On a strictly business basis, not to mention the more important human element, floods are an extravagance that even the wealthiest of countries can ill afford.

In the postwar period our whole conservation problem must be reemphasized. Our blueprint for flood control, soil conservation and the conservation of natural resources must be executed. The war has cut deeply into some of our surplus of natural resources. This was uncontrollable and beyond our power to avoid. Floods, however, are controllable.

A sound conservation program, including proper flood control, would seem to be a postwar project that deserves a high priority. Unless we get busy and put it into effect not only we, but our children and grandchildren, are going to pay the penalty and each year the penalty will become more severe. Conservation policies must get beyond the talk stage in the postwar era. What is needed is prompt and determined action. We must protect and conserve our Providential blessings and not wantonly dissipate them.



Henry H. Heimann
Executive Manager

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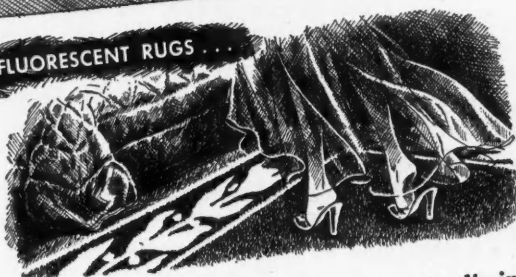
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Credit Value of Production Capacity

Postwar Competition to Stress This Fact

By **HARRY J. DELANEY**

National Director, N.A.C.M., and Vice-President, Meinhard, Greeff & Co., New York City

OF The road ahead of us is one of uncertainty, with one exception—that of winning the war. In spite of our inability to penetrate the fog of confusion and dislocation which will follow V day, this is not to say that we have no immediate objective—that of winning the peace.

This can be accomplished if we recognize our obligation as business leaders and exert our best efforts to maintain our capitalistic economy and our system of free enterprise, with a minimum of government regulations.

In many respects, the situation in which we find ourselves today might be compared with that of a vacationer who bought a ticket for one of the "Mystery Rides" which were so popular with the railroads before the days of priority ratings and black market operators. Those were the journeys whose chief attraction was the fact that the destination was unannounced and was kept a closely guarded secret until the time of arrival.

In many respects we are all passengers now on such a train, roaring along at top speed, transacting most of our business with one customer—Uncle Sam—either as prime contractors or indirectly as sub-contractors.

Willing or not, we have been on the way since 1941.

Switches May Be Against Us

Although we all hope to arrive ultimately at a safe and secure terminal, the switches may be thrown against us on the way, and the whole trip may lead us into regions we had hoped not to see.

In gazing into the future, we have to proceed on the assumption that the credit of the Government will be maintained on a sound and solid basis: that our taxing authorities will adjust as expeditiously as possible the tax policy so as to encourage private investment. Some encouragement along these lines is to be found in the pending Byrnes program, which is understood to be finding support in the joint House-Senate tax committee.

Its important highlights are an accelerated depreciation write-off on new capital expenditures for machinery and plant; an increase in the \$10,000 "Specific" excess profits tax exemption to aid small enterprise (some people are of the opinion that this exemption may be increased to \$50,000, although popular opinion regards the maximum figure as \$25,000); early redemption of a portion of the excess profits tax postwar credit bonds held by business; that it will cooperate speedily through

its contracting offices in freeing capital resources which may be tied up in contract terminations, and that the huge accumulations of war surplus merchandise and plants will be liquidated without any serious interruption to the reconversion plans or private enterprise.

What the Experts Hope For

On every hand, we hear and read of the hopes and plans of government experts, and even of some of our most prominent economists, that we will have to achieve a postwar national gross income of \$140 billion and an employment level of 55 million to 60 million people in order to avoid another 1930 depression. All of this planning presupposes that the factors which I have mentioned will be formulated into a definite governmental policy in the future.

It therefore follows that most of the story of this transition from war to peace is the story of production and jobs.

Let us review the record of our accomplishments on the production line during the past five years, to ascertain whether we are talking about a Utopia or if these objectives of employment and production are possible of attainment.

In 1939, which many people regarded as better than a good normal year, we produced a gross national product of 108 billion dollars, of which approximately 17 billion dollars was for government, 13 billion dollars for business in the form of commercial construction, new houses, machinery and equipment, and 78 billion dollars represented consumer products such as transportation, recreation, house-furnishings, automobiles and accessories, food, beverages, tobaccos, clothing, shoes and miscellaneous consumer needs.

Textiles, included in clothing, shoes and accessories, accounted for 8 billion 7 hundred million dollars or roughly 9 per cent.

In the Winter of 1942, Government experts in preparing their blueprints for the war and the civilian economy for 1943, projected a national output of \$132 billion (based on 1941 prices) for the twelve months ending July 31, 1943.

They underestimated, as did most people then, what American business, fully mobilized, could accomplish.

Our production exceeded the estimates by over 25 per cent, with the result that military requirements were completed and civilians had more goods despite our "all out" war program.

Of this production, 52 per cent was government and 48 per cent went to the consumer markets.

Close to 1929 Figures

Our 1944 chart, showing the income from production, reveals a total of \$197 billion, government services and the war program accounting for \$100 billion, with consumer goods production and services reaching an all-time high figure of \$97 billion, almost touching the level of the gross national product of the year 1929, when it stood at \$99 billion.

This extraordinary performance was achieved while we were mobilizing an armed force of 11 million individuals, without a compulsory labor service law, with a 40 hour week and without rigid scheduling of military requirements.

It was also accomplished without any serious strain on our credit economy.

We find confirmation of this easy financial situation in the analysis of a group of representative banks' statements of December 31, 1944, which indicates commercial borrowing at an all-time low point, averaging about 33 per cent of deposits, and with ample funds still available to meet any demands of business.

In the factoring field, with which I am most familiar, an examination of financial statements of these companies, if available, would disclose the condition of manufacturers' credit balances running parallel to monthly sales, reflecting the exceptionally liquid condition of textile mills during the war years.

This dearth of commercial borrowing through banking institutions and factoring concerns may be traced to the velocity turnover of inventories and the inability of management to employ more of its earnings in new plant equipment or replacement parts, which latter condition has had the effect of enhancing working capital funds and resulting in an easier financing operation.

A substantial amount of temporary working capital also has been supplied through the use of tax money by corporations during the year in which profits were earned but which income was not subject to payment until the following year, and then the problem was cushioned further by virtue of the payment being on a quarterly instalment basis.

But all of this has not been accomplished without some effect upon business.

Importance of Sound Management

Cash reserves have never been a major factor in the successful operations of any manufacturing business.

Sound management, even more than cash or collateral, is the strongest security the supplier of credit or capital can have.

Efficient, modernized machinery, capable management on the production end and a highly trained sales organization to handle the distribution of the manufacturer's product, will always produce the earning power, which in the final analysis will be the major criterion of lending agencies in passing upon the merits of an applicant for financial aid.

An interesting observation concerning the machinery item of the average textile mill is brought to light in an analysis of recent figures covering a group of mills,

which discloses plant and equipment assets averaging 33 1/3 per cent of tangible net worth; whereas, in 1941, this same ratio fluctuated between 60 per cent and 80 per cent of tangible net worth.

This condition has been accentuated by the inability of the industry to obtain new equipment and replacement parts in the same proportion to which their old equipment has become obsolete or worn out during the war years.

Serious concern is expressed by certain cotton mill executives over the problem of re-equipping their plants.

Of the 24 million spindles in operation in 1943, at least 68 per cent were reported to be twenty years old or longer.

The number of new ones put in last year is said to be the smallest in any year in the history of the industry.

To replace only these twenty-year-old spindles would require 16 million new ones.

Many Replacements Needed

I have no knowledge as to what the capacity of the textile machinery producers will be in the postwar era, but prewar statistics indicate that there were manufactured 800,000 spindles a year, which would involve a replacement program covering the next two decades.

It is also necessary to emphasize at this point that other branches of the industry will be confronted with this same reconversion problem.

The four largest mills have only 4 1/2 per cent of the total spindles in use and employ only 4 per cent of the workers, with about 70 per cent of the remaining mills engaging 400 workers or less, and the largest of them owning not more than 30,000 spindles.

When we realize that there are some 1200 textile mills scattered over 26 states, with the vast majority small companies, we get some idea of the magnitude of this one angle of the financing problem after V-day.

In the hosiery manufacturing industry, we are told that a producer of ladies' full-fashioned hosiery can secure a production of ten to eleven dozen a day on a one-shift basis with a 24 section, 48 gauge machine, which costs approximately \$17,000.

In contrast with this production figure, a 30 section, 51 gauge machine, costing \$20,000, will increase the output to 16 dozen per day, or approximately 50 per cent, with a decrease in manpower of 1 1/2 operators per shift.

Here we find a definite illustration of a decrease in production cost, an increase in production itself, with a very nominal outlay of capital expenditure.

This illustration could be extended to practically every branch of the textile field.

Value of Modernized Plant

From the credit man's viewpoint, and this is my personal opinion, it would be preferable for the manufacturing concern to enter the postwar period with low inventory and a highly modernized plant, than with substantial cash reserves.

It would be a serious error for management to believe that it can compete by having cash in the bank, and to use its prewar equipment if more up-to-date machinery is available.

Right now, we are witnessing the greatest productive capacity in the history of the country.

The job can be done without too much difficulty, provided the financial executive adopts a liberal, forward-looking policy and comes to the realization that some of the old yardsticks of credit, such as the antiquated two-to-one ratio, will have to be abandoned, and more emphasis placed upon the human equation.

Lenders of money must keep in mind constantly that our progress during the past twenty-five years is the result of the development and growth of small businesses into medium-sized ones and from there into large enterprises.

In the U. S. there are approximately 3 million separate business establishments, about one million single proprietorships with no employees, the remaining two million employing less than 100 people each; 35,000 companies employ between 100 and 1000 and 3300 employ more than 1000.

Small Businesses Employ Many

Of the total employment in the country, roughly 45 per cent is accounted for by the businesses which employ fewer than 100 workers each.

These simple facts demonstrate the need of small scale enterprise in our economy and the importance of encouraging it after the war.

The American Bankers Association, realizing the mistakes which were made by some members of the banking fraternity in the depression year of 1930, of declining short-term and intermediate credit to perfectly good borrowers because they did not measure up to the banks' credit standards, and also because the bankers did not actually understand enough about the fundamental nature of the business to be able properly to evaluate the risk, has inaugurated a plan of aiding these small companies through the formation of credit pools.

While the idea has not been put to a practical test, in theory it seems to have considerable merit in that a group of banks will consider the participation idea with the borrower's bank, should the latter not feel inclined to assume the entire risk.

Without attempting to be facetious, I might say that a great deal of difficulty in the past, among the banks, has been their desire to handle riskless credits. It remains, therefore, to be demonstrated whether the credit pool operation will produce any worthwhile results, should this same feeling of caution exist among the committeemen constituting the pool.

It is of no avail to us to expect the postwar years to be as easy sailing as "The good old days," when the course of business was smoother and the threats to our free enterprise were not evident.

We are faced with hard realities and we might as well recognize them.

Regulations in Postwar Era

In spite of the anguished howls of business concerning the non-necessity and apparent inequities of governmental regulations, we must realize that governments are in the saddle the world over, and will continue to remain an influence and power in business for a long time to come.

We can fight the trend and resist it as much as we like, but the quicker we realize that some controls will have to remain after reconversion, until our economy is stabilized, the less grief we will suffer.

Some businesses will be unable to meet the sudden changes which are bound to occur after the cessation of hostilities and will go down, and every one that goes will be a loss to the business structure, to the country, to the economic welfare of the community at large and, in individual cases, to the financial executive himself.

The men who control the purse strings of business have a job cut out for them, which will be bigger than any they have handled before.

On their shoulders will fall the responsibility of providing credit in the form of short term and intermediate loans, as well as equity financing to keep industry going, as in this manner only can be provided the necessary employment to avoid another depression.

If we look at the picture from a broad point of view, we must turn aside from the conception that the amount of capital a man has is the criterion of his ability to pay his obligations.

At one time or another, we have encountered the unscrupulous borrower who was able to present an attractive statement, but whose character was such that the balance sheet was little more than window dressing, or we have encountered the well-financed company which lacked managerial ability to operate profitably despite its freedom from a financial problem.

Intangibles in Credit Analysis

In the days ahead, we shall have to place more reliance on some of the things which have not yet found a place on the financial statement, such as character, ability and the spiritual values that round out the final appraisal of every credit application.

It is difficult to define them and reduce them to actual measurement.

Somehow they seem to evaporate into thin air.

They are the intangibles of credit analysis, but we cannot deny that they weigh heavily in our final judgment.

Perhaps at no time in our experience will they be so important as in the future, now that a great many of our credit standards have been altered by the war.

One of the important factors that the financial executive must recognize is that the average businessman—whether he be a spinner, weaver, converter (if there are any of these left), cutter or retailer—is hungry for information and advice.

The present welter of government regulations, directives, departments and boards has so hopelessly buried business under a mass of facts that it naturally turns to someone for help to dig itself out.

No one can foresee what the future will bring along these lines, but we may be sure that there will be a continual challenge to the financial executive to meet the issues of the day and lead the way.

We must be prepared to augment our financial facilities with an advisory service on business techniques and on the many new developments in business operations.

The most modern equipment and the most efficient
(Continued on page 26)

Credit Limits as Signals

Function as Stop-Look-Listen Warnings

By **WILLIAM J. SHULTZ**

Assistant Professor of Business Administration, College of the City of New York

OF No subject is more shrouded in confusion, in the minds of writers upon the subject, as well as in the minds of credit men themselves, than that of "credit limits." There is, in general, sheer bewilderment as to how to determine them. And there is much uncertainty as to how credit limits, when determined, should be used. Yet every large credit office must, one way or another, establish and use credit limits for its customers unless it is to lose itself in a maze of repetitive reviewing of customers' credit positions as individual orders come in.

The penalties for misjudgment in setting credit limits are substantial. If limits are set too low, either credit office work is wastefully multiplied or good orders are lost by unwarranted rejections. If credit limits are set too high, the bad debt loss mounts.

Misuse of limits also carries penalties. If limits are viewed as rigid, semi-permanent limitations on the balances that customers are allowed to incur, they will sometimes cost the seller perfectly good orders, on other occasions open wide the door to bad debt losses.

Probably no other detail of a credit man's work better reflects his ability, and contributes more to his success or failure, than the way he handles credit limits

safely accorded. Or the limit may be retained, and the customer requested to anticipate on some part of the balance not yet due, so that addition of the obligation on the new order to the old debt will still stay within the limit established.

Use in Marginal Cases

There is one situation where such use of credit limits may be warranted. The credit man may have on his books a number of small marginal accounts that ought to be kept under constant surveillance. But his departmental budget does not permit him to subscribe to agency "continuous service" on all of these accounts, or perhaps the pressure of work on the limited personnel of his department does not permit the constant surveillance these accounts should receive. The practical compromise at which he arrives is to risk some limited amount—\$50, or \$100, or \$200—on each of these accounts. If such a customer wishes to buy above this limit, he must pay on cash terms or even C.O.D. If he refuses to buy on cash or C.O.D. terms, and gives some of his custom to a competitor, the credit and sales departments do not grieve too deeply—they are content to let some other supplier share a risk which is bad enough to threaten the profit made on such class of accounts.

Except in this special case, a credit limit which is truly a limit on a customer's regular-term buying is an unwarranted strait-jacket on the selling efforts of the firm. It is an indication either that the credit manager is not aware of the proper use of credit limits, or is unwilling to devote the time and incur the trouble that proper use of credit limits involves.

"STOP, LOOK, LISTEN" Signs

Except for the case noted above, a credit limit should be a maximum amount which a customer's ledger balance will be allowed to reach without review of his general credit position.

As we shall see, the figure set for a customer's credit limit should be based both on his probable buying needs and on the probability that he will consistently pay within a certain period. Thus, a credit limit so determined is, in effect, the credit man's judgment of the amount of debt which, in the light of the customer's present circumstances, the latter can safely incur and repay to the credit man's firm.² Whenever a customer

Purposes of Credit Limits

A credit limit may serve either of two purposes. It may be set as the maximum amount of credit on regular terms which a customer will be allowed to have outstanding. Or it may be set as the maximum amount which a customer's ledger balance will be allowed to reach without review of his general credit position.

Many credit men view their credit limits—wrongly, as we shall see—as the maximum amounts they will allow their customers to buy on regular terms. By one or another of the methods considered later they calculate the ledger balance which they feel each customer may be safely allowed to accumulate on regular-term buying. When an order from a customer would bring his outstanding ledger balance over the limit established for him, the order is held up. If part of the customer's balance is past due, he is requested to pay such past due amount as a condition of receiving the new order on regular terms. If none of his balance is past due, the credit man may reconsider the limit with a view to raising it if examination of the customer's financial position indicates that a higher limit could be

exceeds his credit limits, it is a sign either that he has increased his purchases over what seemed a reasonable amount when his credit position was last analyzed, or that he has fallen behind in his rate of payment so that new order debt is cumulating on top of past-due debt. Either of these developments should be a warning sign to the credit man that the facts on which he based his last credit judgment of the customer have changed. The change need not necessarily be for the worse; a successful customer may be soundly expanding his business, and for that reason be buying more. But a change of one sort or another has occurred, and every change in a customer's business should be the occasion of a review of his credit position. The credit limit is a "STOP, LOOK, LISTEN" sign for the credit man.

What action should a credit man take when he discovers that a customer's latest order brings his ledger balance over the previously established credit limit? Refusal to ship on regular terms may be the correct procedure if the exceeding of the credit limit was due to bad buying judgment on the part of the customer or a deterioration of his financial position. But it would obviously be disastrously wrong if the reason for the enlarged ledger balance was increased purchases resulting from sound expansion or a shift of the customer's sources of supply in favor of the credit man's firm. When a customer exceeds his credit limit, the credit man is warned, not to take action on the customer, but to make inquiry upon him.

A Case of Growing Business

Let us assume that an order from A, a customer of some two years' standing, brings his balance over the limit previously established. A glance at the ledger card indicates that the customer is taking the net terms and paying promptly. The passing of the limit has been caused by an increase in the size of his recent orders. The credit man calls for the customer's file, and studies the material in it. The story told by the last agency report is that of a growing business operated by a capable proprietor. The three financial statements in the file confirm the story of sound progressive growth. Without further ado, the credit man O.K.'s the order. He might, simply on the basis of this review of the case, immediately set a higher credit limit. But, properly cautious, he calls for an N.A.C.M. Credit Interchange "clearance," the last Credit Interchange report in his file being six months old. When the new report comes to him, it shows that A has added some new sources of supply, that several of his old suppliers have increased somewhat the "highest recent credit" they report, and that A is maintaining a good paying record—a number of "discounts," most of the rest "prompt," and a few cases of "10 to 15 days slow." The credit managers last doubts are cleared, and now, with an easy mind, he raises A's credit limit to a figure more consonant with his expanded buying.

Slow Inventory Turnover

Now take the case of B, whose latest order likewise would bring his ledger balance over his credit limit.

* Huegy, "Credit Management," *Credit and Financial Management*, October, 1936, p. 10.

The ledger card shows that B's purchases are running normal. But whereas he previously averaged 15 to 20 days slow on his payments, he has become 30 to 40 days slow, and this cumulation of unpaid amounts accounts for the increase of his ledger balance. A check on the data in B's credit folder indicates that he is a generally sound account, though with a somewhat poor working capital position. One weak point in his last financial statement was a low merchandise turnover ratio, attributable to excessive inventory. A recent Credit Interchange report in the folder indicates that he is generally slow in his payments, though not dangerously so.

The credit man phones the sales manager and learns that the salesman who handles B's account will be in the office two days later. The order is marked "Hold" and put temporarily in suspense. From the salesman the credit manager learns that business in B's neighborhood has been unusually slow for the season; for a number of reasons money is "tight," and people are not buying in their normal volume. The credit manager now has the picture he needs to appraise B's situation.

He writes B a friendly letter, analyzing his inventory situation in the light of the slack business of his neighborhood. He suggests that B study his inventory carefully to discover whether he may not be overstocked on some items, in view of his current volume of sales, and to see whether it might not be worth while to clear out some "slow movers" by special sales. The "unfreezing" of part of his inventory will provide him with funds to clear some of his overdue trade debt. Meanwhile, with respect to the order at hand, the credit man suggests that B reconsider whether he might eliminate some of the items, or reduce the amount ordered, in view of the new ideas he may adopt on his inventory. Any items that B feels he definitely does need, the credit man writes, will be shipped to him immediately on regular terms.

A Valuable Warning

Meanwhile B's ledger card and folder, with the credit limit on them unchanged, are sent back to their files. The credit man can feel, with satisfaction, that his system of credit limits enabled him to catch a potentially dangerous situation before it became extreme, so that he was able to take action that saved his firm a possible future loss, that may help a good customer, and that possibly may win more of the goodwill of that customer.

In another case the credit limit may flag a customer in the early stages of disintegration. In still another it may enable the credit man to discover a case of overbuying with intent to perpetrate a fraud. It may disclose that a customer is accumulating inventory for speculative reasons, because he believes that a price increase or a shortage is imminent. Or it may lead to the discovery that a customer has increased his capital through taking in a partner, so that the sales department should devote special attention to him. But never is the credit limit anything more than a "STOP, LOOK, LISTEN" signal. Whatever action the credit man takes is the result of what he sees and hears as a

A Forthcoming Book

On Credits by Mr. Shultz

This article and the one in the March issue on Factors in the Credit Decision were prepared as chapters for a forthcoming book on Credits by the author to be published soon by Prentice-Hall, Inc., 70 Fifth Avenue, New York City. Another article by Mr. Shultz will appear in an early issue of Credit and Financial Management.

result of stopping, not a result of the signal itself.

There is one class of customer to whom no credit limit should be allowed. This is the customer whose financial position makes him a marginal risk, and for whom the credit man subscribes to an agency "continuous service" or on whom he obtains constant Credit Interchange information. Every order from such a customer involves the fullest possible review of his current situation. Any credit limit that indicated that an order from such a customer could be approved without specific credit analysis would be misleading.

In a large credit office which must operate with a staff of only partly trained or relatively inexperienced assistants, the credit limit performs a useful organizational function. The assistants are authorized to approve all orders that maintain customers' ledger balances within their limits. Most of the daily flow of orders is thus safely checked in routine fashion by the assistants, and the credit manager's time is freed for matters that require his experience and judgment. When an assistant comes upon any order that would bring the customer's ledger balance over the limit, the order together with the ledger card and credit file of the customer are immediately sent through to the manager for his consideration. Such division of credit department responsibilities is obviously conducive to more efficient utilization of the differing abilities of the credit manager and his assistants.

Determining Credit Limits

To determine a credit limit that will be an effective "STOP, LOOK, LISTEN" signal on an old customer is a fairly simple procedure. It is more difficult in the case of a new customer, but far from being as complex as many credit men seem to fear. In most cases, indeed, not merely a year-round limit should be calculated, but separate in-season and off-season limits can and should be determined.

If a customer has been sold regularly for a year or more, determination of a credit limit for him is a simple matter.

His ledger card shows his past-year orders and their monthly distribution. The credit man takes these figures as a starting point and adjusts them for any probable variants that he knows of, such as growth or decline of the customer's business, or an anticipated boom or recession in his line.

Next a monthly average for his high in-season buying may be calculated, and another for his low off-season buying. This differentiation between in-season and off-season buying is very important for seasonal customers. A credit limit suitable for the off-season buying of such a customer would be too restrictive for his in-season buying, and a fair in-season limit would not serve the credit man as a "STOP, LOOK, LISTEN" sign in off-season periods. Of course, where a customer's purchases are spread fairly evenly through the year, only one average of anticipated monthly purchases need be calculated.

If the customer pays promptly within the net term, these two monthly averages—anticipated in-season purchases and anticipated off-season purchases—are multiplied by the number of months allowed under the seller's terms of sale. Thus, with net 30 terms the multiplier would be one; with net 60 terms it would be two. Some upward adjustment may then be made to cover the possibility that a payment check may arrive a few days late, with a further order meanwhile coming up for consideration. This situation would, of course, temporarily bring the customer's ledger balance over a credit limit calculated strictly on the basis of the seller's terms of sale. Such a temporary situation should not, however, be made an occasion for reviewing the account, and the extra margin added to the credit limit will give the necessary leeway. The result of these calculations and adjustments is an in-season credit limit and an off-season credit limit which will flag any unanticipated increase of the customer's buying or any delinquency in his payments, and warn the credit manager that an inquiry is in order.

In Slow-Paying Cases

In the case of a slow-paying customer, the multiplier cannot be determined by the seller's regular terms of sale, since the delinquency in payment would constantly cause the customer's ledger balance to exceed the credit limits set for him. The multiplier for such a customer should be the number of months payment period to which he is to be held. For example, if the regular terms are net 60, but a fairly sound customer with working capital difficulties is generally 30 days late, and trade reports indicate that for some time such lateness must be expected to continue, the multiplier should be 3 instead of 2. In-season and off-season credit limits so calculated would give a credit man prompt warning if such a customer's purchases were greater than anticipated, or if he was falling still further behind in his payments.

Example 1: Customer A, a men's furnishing store, according to his ledger card, buys from \$15,000 to \$17,000 annually from the seller; last year his pur-

chases totaled \$15,699.25; 70%, more or less, of the total of his annual orders are shipped to him, on semi-monthly deliveries, in September, October and November. The 30% balance, consisting of fill-in orders, is shipped during January, February and March. Terms are net 60. "A" generally pays promptly.

Business reports indicate that consumer purchases for the coming season in A's region will run about 5% lower than they did in the preceding year. The seller's credit manager judges accordingly that A's purchases should not run over \$15,000 for the coming year. Ten thousand five hundred dollars of the deliveries will presumably be made, at the rate of \$3,500 a month, during September, October and November; \$4,500 of fill-in orders will be shipped at the rate of \$1,500 a month during January, February and March.

Allowance for Payments

Strict adherence to the terms-of-sale rule would produce an in-season limit of \$7,000 and an off-season limit of \$3,000. The credit manager decides to allow, however, for the possibility that A may once or twice send a check a few days late so he adds \$1,750 (the amount of one anticipated semi-monthly in-season shipment) to the in-season limit, making it \$8,750, and \$500 (a purely arbitrary figure, since off-season shipments to A are generally irregular rush orders of small amounts) to the off-season limit, making it \$3,500.

Example 2: The picture as to Customer B is identical, except that, although he is a good credit risk, for one reason or another he often pays up to 30 days late.

The seller's credit manager calculates that in-season deliveries will probably be around \$3,500 a month, and off-season delivery around \$1,500 a month. Instead of multiplying these figures by 2 to get his credit limits, as he did initially with Customer A, he multiplies them by 3, since as a realist he accepts the fact that some of B's checks will come in at the end of three months, instead of within two months, as they should. He makes no further adjustment, however, as he did in the case of A, since he wants warning if B's lateness at any time should exceed 30 days with further shipments still to be made to him. Thus B's credit limits are set at \$10,500 and \$4,500.

It may, at first glance, seem contrary to all credit logic to allow a larger credit limit to a lower-risk customer than to a higher-risk one—and a slow-paying customer is obviously a poorer credit risk than a similarly circumstanced prompt-paying one. Second thought should indicate, however, that such allowance is sound.

Buying and Paying Rate

A customer's ledger balance reflects not merely one factor—his buying rate—but two factors—his buying rate and his paying rate. The decision of a credit man that a customer is an acceptable risk presumably has taken full account of the factor of the customer's slow payments, if that is a factor. And slowness of payments, where it is a factor, must result in a ledger balance higher than would result from prompt payment. If a slow-paying customer were given a credit limit appropriate to a similarly situated prompt-paying customer, the former's account would be constantly flagged

to no purpose. If a prompt customer were given a credit limit appropriate to a similarly situated slow customer, substantial deterioration might occur in the former's circumstances before the credit limit flagged the account.

The credit limits of a new customer may also be determined by applying the sellers' terms of sale, or the customer's anticipated payment period in the case of a slow-paying customer, to the monthly averages of his in-season and off-season purchases. But in the case of a new customer, the credit man cannot turn to a ledger card to determine what these anticipated purchases will be. In many cases he can, however, make a shrewd estimate of probable purchases from information made available to him through his credit inquiry.

Formula for New Accounts

The first step is to calculate the cost of goods sold by the customer during the preceding year. If his financial statements for the past two years are available, and include a profit-and-loss statement for the preceding year, the beginning-of-year inventory for this preceding year (i. e., the end-of-year inventory for the year before) and the purchases of this preceding year are added, and the end-of-year inventory is subtracted. If the customer operates a retail store, and his financial statements do not provide the above information, a good approximation of his cost-of-goods-sold may be obtained by subtracting from his prior-year sales the normal mark-up for his type of store.

The second step is to adjust this cost-of-goods-sold figure (a) upward to take account of anticipated increased sales or replenishment of insufficient inventory, or (b) downward to take account of anticipated reduced sales or reduction of excessive inventory. This adjustment must obviously be an arbitrary one, based on the credit man's judgment of business trends in the customer's field and region, and on his interpretation of the customer's inventory situation. This figure may be called "Cost of Anticipated Current-Year Purchases."

The third step is to estimate the share of this "Cost of Anticipated Current-Year Purchases" attributable to goods of the type sold by the credit man's firm. In some cases this estimate may be little more than a broad guess. But a credit man's knowledge of his customers' lines of business, derived from his experience, can often make this guess an "educated" one that will closely approximate the actuality. The "Business Classification" column of an N.A.C.M. Interchange report, read in connection with the "Highest Recent Credit" and "Amount Owning" columns, will often picture the distribution of a customer's purchases by types of goods. The sales force can sometimes assist the credit manager in this estimate. The figure resulting from this estimate may be called "Customer's Current-Year Needs in the Seller's Line."

A Fourth Step to Take

The fourth step is to estimate the share of the "Customer's Current-Year Needs in the Seller's Line" that the credit man's own firm can hope to supply—i. e., the figure for the customer's probable current-year purchases.
(Continued on page 18)

For Recordation of Assignments

Some Arguments for Laws on Accounts Receivable

By **R. H. RYAN**

Credit Manager, Pratt & Whitney, Division Niles-Bement-Pond Co., West Hartford, Conn.

C This year began with a world so divided it almost seems impossible to weld it into a harmonious unit. When the fighting stops we will continue, even as now, to quarrel over what philosophies shall govern. There will be political conflicts and economic conflicts and it is with the latter that our lives are chiefly concerned. That is where we fit into the picture because it depends on us to see that industry, large or small, is kept in active operation to the end that employment be kept at a high level and needed materials be processed.

To do that we must be prepared to accept orders for our product on whatever quantities and dollars the documents call for, but in so doing we must also have absolute knowledge of the buyers' financial responsibility. What has his record been? How is he fixed today? How has he expanded? What does he use for money?

The value of your present order may be for heavy capital items on which you are obliged to sink your funds in the form of work in process. What protection have you?

A New Order in Business

I do not care how big you think you are or how big you really are, the condition facing you and all of us today is a dangerous one. There is not one organization in a hundred that is carrying on as they did in the old days.

Then you received an order and went to work and completed it. Today you are bound to go down through subcontractors if you are not a subcontractor yourself, and the amusing part of it is that no matter how complete your unit may be, you are classified as a subcontractor because you don't hold the prime contract for the item the Government wants made.

In a recent survey on the West Coast, there were twelve (12) large companies who had between 1100 and 1500 suppliers and each one of those suppliers had 5 or 6 of his own. If you will figure that out you will find that you come around to close to 100,000 organizations who will become involved when the prime contract is cancelled.

When that happens the termination will come piling down on you like a house of cards and your ability, no matter how good it may be, will find your job of collecting a mighty difficult one. Many of these along the line do not have the financial background to support the new rush of work they took on and in order to do so they either assigned the order they received,

if it was assignable, or they sold their Accounts Receivable as rapidly as they got them on their books in order to get new working capital.

When Assets Are Sold

We are now being faced with possible bankruptcies, owing to the termination of a prime contract which will leave the little fellow holding the bag, and when you try to collect, or the creditors meet, you will find everything has been pledged or sold and there is nothing for creditors in general. Had you any knowledge that he had sold his realizable assets, would you have taken a chance and proceeded to invest your money in time, labor, and material without advance security?

We are constantly being asked to accept orders for heavy equipment in large amounts (and that is particularly true during this war period) from strangers or people who in other times bought very little.

When these orders arrive, we naturally want to proceed so that the war material supply be kept rolling along, but we must know if we are safe in extending credit. We do as a rule follow all usual methods and if not entirely satisfied, we ask for a copy of the last balance sheet.

When the Fog Rolls In

We wait a while and get the usual answer that, "It is against our policy to give out financial information," or we get an abbreviated list of figures that look like a mystery thriller, entitled "Foggy Night in London."

We, being a naturally curious crowd of fellows, start to penetrate that fog and what do we find?

First we look at the cash and find it very heavy. That is not always a sound condition because it may include items of an unsound or earmarked type. It may include cash not available for general liabilities and must be applied against some specific type of contract.

There should be a clear breakdown between cash on hand, free cash in the bank, and any money on which a bank or Finance Company has a lien because of a Loan.

Again on a consolidated sheet it may be that the subsidiaries operate independently and pay their own bills without liability on the parent company and the overall consolidated sheet might not fully show the true Cash position.

Are There Any Liens?

Next, we look at the Accounts Receivable and find a fine item maybe in six figures. Now aside from won-

dering if their liquidity is all that it should be and the management is careful in its collection effort, we also are curious to know if the total is without liens, or maybe sold to some agency.

Frequently this is a danger signal. Of course, merchants may borrow on their accounts to take discounts or perhaps build up an inventory of standard materials at the time a favorable market appears.

In any event, an assignee is preferred in bankruptcy and, in the absence of recording, affords many an opportunity to mislead their creditors.

Whether it is wilful or not, the fact remains that any vendor, who has no knowledge, by financial statement segregation and recording, that the receivables belong to someone else, is just naturally being fooled into accepting orders and extending credit against assets that are not owned by the purchaser of the goods.

Again, some people sell not only their Accounts Receivable but their Notes Receivable and without discussing at this point the argument for or against the practice of operating in that manner, it is well to devote some study to that type of financial statement.

Looking Further Into the Picture

Can we read it and say the Cash is sufficient? Do we know that the Accounts Receivable when collected are good and without liens? Do we know that in order to protect a loan that the entire inventory and fixed assets are not included to protect the lender?

At this point I would like to say that we should be careful in our study to determine the difference between factoring and financing.

We find that in factoring the usual practice is for the borrower to sell (outright) the order, in which case the seller should not show the accounts receivable item since he won't do the collecting. If he does, he is absolutely concealing the true condition if he does not explain it clearly on his financial statement.

In financing he borrows against his receivables in order to get the money in advance of his own maturity date. Discounting those in advance may be at a given rate which looks low but, being in advance, figures out pretty high and expensive.

Need for Sound Accounting

I want to say that I am not in agreement with those who condemn the system as a cancer on the corporate body. There is a growing and an unfair prejudice gathering momentum, when there should be a campaign of education and help to those who need financial aid and can obtain it, provided that sound accounting practice is adhered to, to the end that creditors, reading the balance sheet and the public record, will see and know what their position is.

Sometimes hypothecated accounts and notes are sold and do not appear on the financial statement. They are not shown as a deduction and also fail to list that contingent liability. In that event you may find the reserve held by the finance company as a current asset, although it is a mighty slow and very contingent asset.

Examining the Notes Receivable we wonder if they are in the customers safe or are they discounted in the

finance agency or bank. Do we know they are sold? We have to know if they exist as wholly owned or have been sold endorsed and guaranteed. Don't forget that even if sold to a finance company, the liability exists and must be repaid (if the maker falls down) at 100 per cent.

Contingent Liability Danger

I am not sure what terms are in operation during this war period but not long ago the usual arrangement with a finance company provides that the finance company collects from the makers for the notes that it has bought. If the maker of a note defaults on any serial payments, the finance company requires the endorser to repurchase the installment after 30 days. Immediately after a third successive default in any series, the finance company requires the endorser to repurchase the entire unmatured series. The company that sells the notes has a very real contingent liability.

Under most arrangements, when a finance company buys notes it does not pay 100 per cent of their face value in cash. It withholds a reserve against each instrument that varies from 10 per cent to 20 per cent according to the agreement. Theoretically this reserve is repayable to the endorser when the maker of the instrument has completed payments. The percentage of the reserve held by the finance company against the company's liability as endorser will constantly increase as the installments are paid. Even assuming continuing purchases over a period of time with a contractual reserve of 10 per cent, the actual reserve held by the finance company will average close to 20 per cent. Furthermore, under most contracts the reserves are pooled and the finance company can withhold the entire reserve indefinitely while any obligations are in default or if it feels itself "insecure."

Preference Claim of Assignee

The assignment of accounts receivable presents the same problems. More frequently the assigner collects the accounts himself as trustee for the assignee and the advance against them appears as a current payable. However, as the assignment amounts generally to about 120 per cent of the advance, the creditor holds a preference against the company's most liquid assets with security far in excess of its claim.

As a general rule, if a company has sold notes receivable it will omit them entirely from the statement instead of showing them as a deduction and fail to list the contingent liability.

In that event it will also carry the reserve held by a finance company as a current asset although it is a very, very slow and contingent asset.

As there are no legal requirements for recording assignments or sales of receivables, their existence must be investigated with the utmost thoroughness in order to be absolutely sure of the nature of the arrangement. Otherwise you will find that you have depended upon assets that are securely covered by liens.

The fact that a company thus disposes of its receivables is in itself no prima facie evidence of weakness. However, the credit granter must determine

whether the company is in a position to take care of its contingent liability without seriously impairing its position.

Mortgages Are Recorded

We depend on the unencumbered assets for our recovery on the credit we extend. Where assets are mortgaged we can find out through search.

If a bank has a chattel mortgage, you can depend upon it that they will serve notice through recording that it does exist. You can see that document, but you can't see a privately held mortgage on the accounts receivable or notes receivable.

Where a conditional sale exists, you have the same condition in most states or catch it through heavy notes payable, but where you can find out if your customer has sold the very assets you are depending on for your protection? How do you know that the fixed assets are not pledged as additional security? And how do you know, in the absence of a balance sheet breakdown and public notification, that the material you ship today will not immediately become part of that clause, "Including all machines, fixtures, inventory now existing, or which may at any future time be acquired during the life of this mortgage."

Cause for Assignments

Firms today are getting contracts that are too big for them to handle so they promptly assign the contract in order to get money to proceed. The money they obtain goes into production and on in to collectible sales and as they are collected go back to pay off the loan.

Since the laws of practically every state makes it mandatory to record (and no bank or finance corporation objects to that) where chattels are concerned, why are we supposed to accept balance sheets with the most live asset, accounts receivables and work in process and inventory, all pledged without a sign to show they do not exist as a realizable asset because they are attached or a lien exists and no word sent to creditors direct or by publication.

Why are all the objections? We are supposed to place our product right on the floor and add to the fixed assets. Would finance companies or a bank put money of equal value into that plant without adequate security or sound information? Would they buy those accounts receivables unless they made sure they were unattached? No, they would not and they would be crazy if they did, so why are we condemned for demanding knowledge of the items we hope to collect on? By what reasoning is this objection fought so hard? What is the answer? Can it be that the recording would prompt vendors to tighten up on credit extension?

Where a balance sheet is refused, suspicion starts and more questions are asked. Where a bank loan exists then we want to look at the collateral. You can usually work out a satisfactory arrangement but where all accounts are sold and no notification appears, that company's credit should be seriously questioned, not because he borrowed, but because he hid it after he did.

A Recent Case in Point

In a recent New York bankruptcy a firm was dis-

counting within three days of the date of its notice calling creditors together. The Navy had been advancing money and suddenly stopped. The creditors found out that a V-Loan existed, taxes, renegotiation and rent had not been paid and the Navy was claiming a half million more. In addition the accounts were pledged and yet not a soul knew it because it was against company policy to issue a balance sheet "and no recording is necessary."

Now the Government insists that all claims be cleared through the Bankruptcy Court and gathered into one lump sum.

What Section 7-D Says

Reference is made to Section 7-D of the Termination Settlement Act which says, "Any contracting agency may settle termination claims of subcontractors to the extent that it deems such action necessary or desirable for the expeditious and equitable settlement of such claims."

That indicates you can be paid by Washington if your customer goes bankrupt but in the New York case you must clear through the Court and when and if the Government sets up a fund to cover them, the Navy will attach it, for their claim comes first. Everyone concerned will lose, just because they did not know the account was smothered with liens.

When their unattached accounts develop to point of billing, they are sold and no notification reaches the vendors until the day that a termination hits and then we find ourselves "outside looking in" because anything of value is attached and taxes and renegotiation are yet to be settled.

We do not know just what the objection really is and we sometimes wonder if the various finance corporations are opposed to recording because people in their own competitive line would learn the names of the people *they* are dealing with. We wonder if they want to keep secret their own line of customers rather than protect their client by the statement that the man who sells his receivables to them does not want his competitors to know who *his* customers are.

Customers Are Well Known

That goes back to the dark days of economic ignorance because there isn't any manufacturer who hasn't a pretty good idea of who his competitors' customers are, and he knows full well that his competitors know who his own customers are.

At this point it would seem well to mention that our efforts to have legislation passed has met with very strenuous objections from finance corporations, and a straight answer to a straight question brought forth the following answer from a finance corporation attorney:

"You know our business is competitive and we can't let competitors know who our clients are. There is a great deal of piracy of names going on all the time and besides, the people we buy from don't want it known that they are selling."

There you have it! Never mind fooling the man you buy from! Never mind about anybody but your-

(Continued on page 24)

Our Army Finance Department

Keeping Book on Fifty-Two Billions

By MAJ. GEN. A. H. CARTER, GSC

Fiscal Director, Hq., Army Service Forces

Total war has made the Office of the Fiscal Director, Headquarters, Army Service Forces and the Finance Department of the U. S. Army the world's busiest comptroller, the biggest life insurance institution, the most extensive banker and cashier and the greatest paymaster, to say nothing of the largest welfare agency.

Between paying soldiers, distributing benefits to dependents, discharging bills, and conducting banking, investment and insurance business in every part of the world, there is no hour of the night or day in which finance activities connected with the war are not being carried on somewhere. For every transaction, a record must be made. For 24 hours in every day, there are Finance Department personnel recording, for the protection of the taxpayer, the myriad transactions taking place in all the corners of the globe.

The Department keeps books for a concern spending \$52,000,000,000 a year. More than 25,000,000 vouchers, many of them multiple in character, were processed by the Office of the Fiscal Director for the year ending June 30, 1944, requiring nearly twice as many postings and the issuance of more than 100,000,000 checks.

The Department is the paymaster for some 10,000,000 persons—military and civilian. And that's only part of the story.

Seven Million Family Checks

More than 7,000,000 checks are issued every month for family allowances and related purposes to 13,000,000 dependents of Army men and women. These dependents live in 72 different countries. For many of those outside the United States special arrangements have to be made to provide the monetary equivalent of their allowance in local currency. This, and other financial transactions abroad, make the Finance Department the operator of the biggest foreign exchange business in the world—and at a time when money-changing is all but impossible because of blocked or frozen currencies!

Under the decentralization of command, to the Army Air Corps, the technical services, the service commands and the theaters, responsibility rests with their commanders for fiscal operations. The provision of tools, techniques, procedures and consultative services for effective and uniform administration is the mission of the Office of the Fiscal Director, a staff division of the Army Service Forces.

It establishes financial and accounting procedures

required for this biggest business in the world—the conduct of an all-out, global, total war. It actually administers, through its installations, some of the most important functions of the War Department. In every respect, except the preparation of the Budget, the Office of the Fiscal Director discharges fiscal functions, most of which are Army and War Department wide.

A Division in 1942

As a result of the reorganization of the Army in March, 1942, a Fiscal Division was established within the Services of Supply (now the Army Service Forces) and most of the fiscal activities in the Office of the Under Secretary of War were placed there. Later this Division and the Office of the Chief of Finance were integrated into the Office of the Fiscal Director. Executive direction was vested in the Fiscal Director, who had associated with him the Chief of Finance and three deputies, one of whom was Assistant Chief of Finance.

Expansion of the Army into wartime proportions necessitated a huge increase in the personnel to handle fiscal affairs. The Army Finance School increased enrollments to a maximum monthly quota of 200. Students were chosen from among qualified officers, warrant officers and enlisted men with bookkeeping, accounting, or banking experience.

In addition, applications were invited from business executives in financial fields to make full use of their civilian experience in banking, insurance, investment, accounting, and allied subjects. Thousands of applications were received. Hundreds of applicants were interviewed and carefully investigated before commissions were given. The grave consequence of careless selection was realized, for the utilization of civilians without previous military experience as commissioned officers on assignments involving accountability for millions of dollars was a precedent-breaking feature in itself. In many cases these "civilian officers" were stationed as representatives of the War Department at strategic locations throughout the world where their decisions could have a permanent impression on international fiscal policies, not only affecting the Finance Department for the duration of the war but also influencing the trend of peace-time economy for years to come. In all, 485 officers were commissioned, divided about equally from enlisted ranks and from civilian life. Since December, 1941, the Army Finance School and the Replacement Training Center have graduated more than 18,500 men and women, both military and civilians.

In 1937, Congress appropriated for the Military Establishment \$388,500,000; in 1938 \$417,315,000 was voted; and ever larger amounts were made available in subsequent years until the amount for the fiscal year 1944 reached \$75,000,000,000. However, only \$42,000,000,000 of this was obligated from July 1, 1943, to June 30, 1944. Revisions in program and costs were made after the original estimates had been compiled and the appropriation passed. Adjustments to a constantly changing war pattern and the dynamic character of the war itself made a static program and estimates impossible. Savings in costs were effected, too, by mass production and improved manufacturing processes, as well as through renegotiation of contract prices and terminations.

Billions Handled Each Year

In all, between July 1, 1940, and June 30, 1944, \$200,000,000,000 was appropriated by Congress for the military establishment. Of this, \$161,000,000,000 was obligated, and \$115,000,000,000 was actually expended. The rate of payments is steadily rising, as delivery is made in increasing quantities of equipment and supplies for which orders had previously been placed. In the fiscal year 1941 expenditures for goods and services actually received amounted to \$4,000,000,000; for 1942, \$16,000,000,000; for 1943, \$43,000,000,000; and for 1944, \$52,000,000,000.

At the beginning of 1938, the Chief of Staff pointed out that the American Army ranked 18th in size among the armies of the world. Today our nearly 8,000,000 men are being paid approximately \$1,000,000,000 a month! The amount continues to increase far beyond the proportionate increase in the size of the Army as a result of overseas increments and special duty pay. Wherever the soldier may be, except when actually engaged in combat, he is promptly paid in cash at the end of each month. The finance officer goes right along with his unit, and even the paymaster's is a front-line job in total war. This was the case in the Southwest Pacific where a finance unit was wiped out by enemy paratroopers. Another report tells of a finance officer discharging his paymaster functions in a jeep just one jump ahead of the Germans in North Africa.

The soldier is paid in cash but he does not have to take all of his pay in cash. He already may have allotted a portion of it. If he does not need the balance in full, it may be deposited in a Soldier Deposit account, or transferred to his family back home, or used for purchases of war bonds. A considerable portion of the Army's pay is finding its way into these security reserves.

A recent development is the Soldier's Individual Pay Record, a relative of a similar device developed by General Pershing in France during World War I. The soldier carries his "Pay Book" with him at all times and can draw his pay even when he is separated from his personnel records.

A Million on Civil Payroll

A major job of the Office of the Fiscal Director is the supervision and direction of civilian payroll procedures. There are over 1,000,000 civilians in continental United

States on the payroll of the Military Establishment. They are paid in various ways—salary, fees, wages, and piece-work—for varying periods, and with the payments subject to all manner of deductions, including not only the income taxes of the United States, but of Canada, the Virgin Islands, Puerto Rico, and other locations where the Army pays civilians subject to local laws. Moreover, civil service employees are subject to retirement deductions, and many thousands of employees have set up pay deductions for purchasing bonds.

The task of paying for the movement of troops, for the individual movement of officer personnel, their dependents and household goods and for the tremendous freight hauls for the carrying of materiel and supplies is another of the Department's major problems. This activity is centered in Washington. The movement of military personnel in groups and individually and the transport of materiel, involve hundreds of thousands of bills processed by clerks, many of whom have been drawn from the ranks of retired railway men. In June, 1944, 1,284,942 bills were paid totaling \$127,569,317. At the close of the fiscal year, no transportation bill remained unpaid which had been received for payment more than 11 days previously. May, 1944, was the peak month to date, with 1,293,052 bills totaling \$157,587,327.

No less than 2,167,400 checks were used by Army finance offices, in June, 1944, aggregating \$3,379,000,000. Cash disbursements amounted to \$198,193,300. Payments for materiel received and services rendered are made at military missions and in combat theaters in every part of the world as well as all over the United States.

Billions for Procurements

Procurement payments are a factor in every community in the land. During the fiscal year ending June 30, 1944, expenditures for supplies and equipment for Air Forces were \$12,000,000,000; for Ordnance Department \$9,400,000,000; for Quartermaster Corps, \$4,000,000,000; for Corps of Engineers, \$3,000,000,000; for Signal Corps \$2,400,000,000; for industrial facilities \$1,200,000,000; and lesser but still large amounts for Transportation Corps, Chemical Warfare Service, and Medical Department.

In paying for purchases abroad, strange, unexpected incidents complicate the finance picture. For instance, there was the Major who went out to buy an air strip from a South Sea Native chieftain through whose village the strip ran.

"How much," said he—in its Polynesian equivalent. "\$10,000," came the answer.

"Too much," said the Major, knowing that \$10,000 was merely a figure of speech to the Chief. "Will you take this jeep, I'm riding in?"

"No, but I'll sell you the land for those things," said the chief, pointing to two corn cob pipes in the major's pocket.

Credit and cash are available to finance officers wherever they may be, at the time and in the amounts needed. With the Army scattered on all the continents and on islands of all the oceans, one of the biggest tasks of the Office of the Fiscal Director is this arranging for

credit or cash everywhere, in whatever currency is used for local disbursement.

Except in countries where troops are paid in U. S. currency, as in China and certain Pacific Islands, or in special military currencies, which have to be shipped to the areas concerned, disbursing officers generally maintain depository accounts with designated foreign banks on which they draw checks or from which they obtain currency as required. The "funding" of such officers, in response to radio requests, is generally accomplished by arranging with the U. S. Treasury for cable transfers through the New York Federal Reserve Bank to the depository accounts. The Finance Department has thus become engaged in foreign exchange banking on a world-wide scale, with single transfers frequently amounting to as much as \$25,000,000.

One of the activities of the Office of the Fiscal Director has been arranging transportation to the place of use of Allied military currency and certain other currencies printed in this country for use in foreign theaters. This responsibility has involved the special assignment of a finance officer to handle orders and deliveries of currency and coins from the Bureau of Printing and Engraving, from private bank note companies, and from the mints, and to personally supervise the loading of these currencies and coins at ports of embarkation or airfields.

A steadily increasing activity is that connected with mustering-out pay. Congress has provided for payment to demobilized soldiers of sums varying according to length and locality of service ranging from \$100 to \$300. To June 30, 1944, \$130,725,000 had been paid to discharged soldiers. The cost of this phase of demobilization can be figured on the basis that most of our Army personnel will be entitled to the maximum of \$300, due those who have been more than 60 days in service and have served abroad.

On the tragic side of the financial picture are the casualty and gratuity payments to relatives of those who will not return from the battlefields. These are handled by the Office of Special Settlement Accounts, an activity of the Office of the Fiscal Director.

The tremendous job of procuring war goods in excess of \$50,000,000,000 a year put a strain upon the working capital resources of industry which could not be met without supplementary governmental aid being given to the credit facilities of the country. No competent war production contractor, whether prime, subcontractor, or sub-subcontractor in the lower tiers, could fail to complete his contracts because of lack of working capital. Such financing has been provided in three ways. Local bank loans have been encouraged by the Assignment of Claims Act of Oct. 9, 1940, which liberalized previous statutes blocking the use of Government contracts as security for private loans. Prime contractors have been aided by direct advance payments from the government. Sub-contractors and concerns holding contracts with several branches of the Army or with Army and Navy have obtained working capital from local banks by a system of guaranteed "V" loans under which the local bank makes a loan which is guaranteed by the War Department or through one of the Federal Reserve Banks.

The amounts required have been stupendous. The War Department, in fact, operates the largest loan system in the world. As of June 30, 1944, advances on prime contracts had been made totalling \$5,760,000,000; and \$1,600,000,000 of these advances were outstanding.

New in Army Finance is a plan worked out in conjunction with established banks and the Treasury to place banking facilities in military installations including Army hospitals, and even in large industrial plants and war housing developments. The savings in time and energy for busy personnel made possible by these facilities are incalculable. An example is the branch bank in the Pentagon building in Washington, which serves some 30,000 persons. It not only cashes pay checks but affords many other banking services. If regular Washington or Virginia banks were used by each employee in the Pentagon, at least two hours each a month would be required and some 60,000 man hours, 7500 work days, or the equivalent of more than 300 full-time employees per month, would be the sizable chunk of manpower lost. Statistics for 211 facilities reporting for the month of May show 1,737,111 checks cashed for \$239,248,600. Cash was provided for finance officers amounting to \$52,764,800. Travellers and cashiers checks sold totaled 118,173 and amounted to \$13,587,150. In all, 251 such banking branches had been established up to June 30, 1944.

While the financial administration of \$52,000,000,000 of expenditures and related financial activities, is the most spectacular part of the work of the Office of the Fiscal Director and Finance Department, the work which most intimately touches the soldier and the nation is the administration of the Servicemen's Dependents Allowance Act. This is the law which provides for "family allowances," partly contributed by the soldier from his pay and the balance paid by the Government. While the amount received by the family may vary with the size of the family group and its need, the portion paid by the soldier is the same for every enlisted man, either \$22 or \$27, depending upon whether he has one or two sets of dependents. The 100,000,000th check was paid on Sept. 1, 1944, and the Office of Dependency Benefits in Newark, N. J., an activity of the Office of the Fiscal Director, is very proud of the fact that each one of the 7,000,000 checks sent out each month is mailed promptly on the first day of the month, regardless of manpower problems.

Human interest stories arising from the operation of the Servicemen's Dependents Allowance Act are many. Some are filled with pathos, some with humor, and some with fraud. To each situation, the Office of Dependency Benefits gives appropriate attention, through its field investigation personnel—officers who go from place to place solving problems and investigating claims.

In addition to deductions for family allowances, and "voluntary" pay deductions, allotments are also made for the purchase of government insurance. While the insurance itself is carried by the Veterans' Bureau, the allotment records are maintained by the Office of the Fiscal Director in the Government Insurance Allotment Division of the Office of Special Settlement Accounts.

(Continued on page 24)

WORKING TOGETHER ON WARTIME ACCOUNTING



Burroughs systems and installation men have been working constantly with officers in the armed services, government officials and war plant executives—helping them to find ways to handle all types of accounting with the greatest saving in manpower—helping them to adapt their Burroughs equipment to changing conditions and an increasing volume of work.

There are many reasons why Burroughs has been best qualified to help during the trying war years. The Burroughs field staff has had years of intensive training in machine accounting, and a broad, diversified experience. Information services, with current, practical machine accounting information, are maintained in all Burroughs branches. Burroughs' headquarters staff coordinates the total effort so that all Burroughs men are promptly informed of new, improved methods.

Burroughs is ready at all times to help you make the fullest use of the Burroughs equipment you now own.

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Credit Limits as Warning Signals

(Continued from page 10)

chases from the credit man's firm. The basis for this estimate is the credit man's knowledge of customer buying procedure in his line, and of his firm's competitive position in the line. If the business is such that, once a seller has obtained a customer, it can expect to supply him thereafter with an exclusive line, the seller's share of the "Customer's Current-Year Needs in the Seller's Line" is the full amount of such needs. Generally, however, a credit manager must assume that his firm will supply some fraction, large or small, of the customer's needs in the line. The N.A.C.M. Interchange reports may be helpful in deciding on the proper fraction. Salesmen's suggestions may also be helpful.

With an estimate for a new customer's probably current-year purchases thus determined, the credit man calculates a credit limit—or in-season and off-season limits—by the same procedure as for old customers. The same differentiation would be made in establishing limits for prompt and slow customers. A new customer's probable period of payment can generally be anticipated fairly closely by analysis of his working capital position as revealed in his last financial statement and a check on his current paying procedure as it appears in trade reports upon him.

How the Formula Works

Example: The latest financial statement of a new customer, a retailer, gives his purchases as \$52,468, sales as \$68,413, end-of-year inventory as \$12,511. The preceding financial statement showed a \$9,973 inventory. The credit man believes that current-year consumer buying in the customer's area will be about 5% higher than in the preceding year. Approximately one-third of the items sold by this customer are produced by the seller's firm, but on the basis of trade practices and the salesman's report, the credit man judges that the best his firm can hope for is to supply one-half the customer's needs in these lines. His calculation of the customer's probable purchases from his firm would be made as follows:

1. Using round numbers for the calculation, \$10,000 beginning-of-year inventory plus \$52,500 purchases, minus \$12,500 end-of-year inventory, gives \$50,000 cost of goods sold. (Had the figures for purchases not been given, assuming that the retailers' usual mark-up in the customer's line was 25%, the credit man could have calculated cost of goods sold by the formula: four-fifths of \$63,000 sales equals \$50,400 cost of goods sold. The calculation then would have proceeded with this slightly higher figure.)

2. Adjustment for the 5% increase expected in the customer's sales gives \$52,500 for this probable current-year purchases (starting with the \$50,000 prior-year cost-of-goods-sold figure).

3. One-third of this amount, or \$17,500, is the

amount that the credit man's firm could sell to this customer if it could exclude all competition.

4. One-half of \$17,500, or \$8,750, is the probable amount of this customer's purchases from the credit man's firm in view of the competitive situation.

5. From this \$8,750 probable purchases figure the credit man would calculate the customer's credit limits or limit, taking into account the probable seasonal distribution of his purchases, the selling firm's terms of sale, and the probabilities of prompt or slow payment by the customer.

Arbitrary Credit and Order Limits

Many credit men have solved the problem of establishing credit limits for new customers by allowing all new customers adjudged to be satisfactory credit risks an arbitrary credit limit—\$100, or \$200, or \$500, or some other round amount, according to the line of business and the general nature of the customers. This arbitrary limit is maintained for a testing period, say of six months. Any customer whose ledger balance tends to exceed the limit is restudied on the occasion of each order that would bring the balance over the limit. Perhaps such study indicates that the order should be approved. Perhaps the credit man decides that the customer should actually be held to the limit for the time being—that he should be asked to take cash terms or anticipate some of his outstanding debt so as to hold his balance within the limit.

At the end of the testing period, the limit is raised for a customer with a satisfactory payment record whose purchases obviously warrant a higher limit. This new limit is again an arbitrary one, and a large-buying customer may be subject to frequent rechecking under it as under the earlier, lower limit.

Possibly a third, or even a fourth, arbitrary limit may be used during the first year or year-and-a-half that a new customer is on the seller's books. Sooner or later, however, the accumulation of ledger experience is sufficient to enable the credit man to discard these arbitrary limits for an "experience limit" of the type discussed earlier in this chapter.

"Net Worth" Limits for New Accounts

Many credit men arbitrarily give every new account a credit limit measured by 10% of its net worth. A variant of this is to divide the customer's net worth by the probable number of his principal suppliers, as indicated by an N.A.C.M. Credit Interchange report or as assumed by the credit man from his knowledge of the buying customs of the trade.

Some credit men who use this credit limit procedure try to defend themselves by the argument that a customer's net worth is his suppliers' protection in case he fails. This argument overlooks the fundamental consideration that the basis for most mercantile credit extension is not the salvage value of a customer if he fails, but the probability that his operations as a going concern will provide incoming funds to meet his trade obligations as they fall due. Net worth becomes a protective or buffer factor only when the customer fails. Some other credit men argue that there must be some correlation between a customer's net worth and his pur-

UNQUESTIONED FINANCIAL STRENGTH

Another Year of Progress
added to our long history of Security for Policyholders

UNITED STATES RESOURCES AS OF DECEMBER 31, 1944

Organized	*Total Admitted Assets	Reserves for Liabilities	Policy- holders' *Surplus	Securities Deposited as required by Law	MARKET VALUES * (see note below)	
					Admitted Assets	Policy- holders' Surplus
1861 Commercial Union Assurance Co. Ltd.†	\$18,096,028	\$9,969,999	\$8,126,029	\$1,031,071	\$18,495,040	\$8,525,041
1871 The Ocean Accident & Guarantee Corp. Ltd.†	22,789,885	15,768,351	7,021,534	912,977	23,408,802	7,640,451
1853 American Central Insurance Company	8,338,728	3,764,657	4,574,071	391,390	8,747,304	4,982,647
1904 The British General Insurance Co. Ltd.†	1,391,919	543,018	848,901	634,071	1,466,805	923,787
1864 The California Insurance Company	5,646,121	2,340,098	3,306,023	367,230	5,844,347	3,504,249
1920 Columbia Casualty Company	11,694,426	7,444,817	4,249,609	705,703	11,997,279	4,552,462
1890 The Commercial Union Fire Ins. Co. of N. Y.	3,780,843	1,846,805	1,934,038	282,439	3,912,283	2,065,478
1886 The Palatine Insurance Company Ltd.†	3,474,548	1,272,792	2,201,756	634,006	3,640,966	2,368,174
1714 Union Assurance Society Limited†	2,742,415	1,273,348	1,469,067	636,479	2,870,611	1,597,262

*U. S. Branch.
† If all Bonds and Stocks owned were valued on the basis of December 31, 1944, Market Values, the Total Admitted Assets and Policyholders' Surplus would correspond to the amounts shown in the columns at the right.



PROMPT LOSS PAYMENT BROAD FORM POLICIES
FRIENDLY HELPFUL SERVICE WORLD-WIDE OPERATION

We are proud to submit this statement of the condition of our companies for the information of the insuring public and business world of America

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chasing power. Net worth can be ascertained from a mercantile agency rating, even though the credit man has drawn no agency report or received no financial statement. To this argument the answer is that the correlation in question is so slight as to be valueless for credit purposes.

Furthermore, even if there were some merit to taking net worth as the measure of a customer's total mercantile credit need, the next step of arbitrarily dividing the net worth figure by 10 or by some presumed number of principal suppliers would rob the result of any pretense to realism. The 10% approach, of course, is completely arbitrary. And even where the number of principal suppliers is ascertained or may be reasonably presumed, the credit man has no assurance that his firm may expect a pro rata share of the customer's purchases.

The best that can be said for the net worth credit limit procedures is that they are no worse than the arbitrary lump-sum credit limit allowances previously discussed. If more exact limits can be calculated by formula, such limits should be so calculated. If this is impossible, a net worth limit may be set initially, and adjusted upward or downward as subsequent circumstances dictate. Eventually it can be replaced by an "experience" limit.

"Follow-the-Leader" Limits

Many credit men of small customers base the credit limit they set for a new customer on the "highest recent credit" reported by some other supplier known to have an efficient credit department. The report on this supplier's "highest recent credit" allowance may be obtained through an N.A.C.M. Interchange report, or through direct ledger interchange.

Several dangers attach to this practice. In the first place, we have seen that a reported "highest recent credit" may bear little relation to the credit limit set by the supporting supplier. The customer may be buying less from that supplier than the figure that the supplier's credit man used as an estimate of what the customer should buy from his company. Or some time during the year the customer may have exceeded the credit limit set by the supplier's credit man, either because of overbuying or retarded payment; the credit man reviewed the customer's circumstances and approved one or more orders that temporarily carried the customer's ledger balance over the credit limit. More important than either of the two preceding considerations, the customer may be purchasing much more from the supplier taken as a guide than he will from the enquiring supplier, so that the former's credit limit would be much too high to serve as a "STOP, LOOK, LISTEN" sign to the latter.

A credit man setting a credit limit for a new customer does himself no harm to glance at the "highest recent credit" reports of other suppliers that have had some experience with that customer. Those reports may give him a worthwhile check on the figure he has reached by formula calculation, if he has made such a calculation, or it may enable him at the outset to revise upward or downward a figure which he would otherwise set by an arbitrary system or the net worth method. But unless he has reason to believe that his firm will sell approximately the same amount to the customer as

some other supplier whose credit limit is based on experience, he should be chary of "following" closely any other supplier's credit limit.

Revision of Credit Limits

Nothing can be more dangerous to a credit department than a set of credit limits which are revised only upward to accommodate the expanded purchasing of good customers. It is just as important, possibly even more important from the view of preventing bad debt losses, that credit limits have a downward flexibility. When, for any reason, a customer reduces his purchases or shifts to a shorter paying period, and there is evidence that such condition may last for some time, his limit should be reduced. When a customer's credit position deteriorates to a point where he becomes a marginal risk and must be kept under constant surveillance, he should be deprived of the credit limit previously accorded to him.

A customer's credit limit should be reviewed, with the possibility that it may be revised upward or downward, on the following occasions:

1. Whenever an order would cause a customer's ledger balance to exceed his credit limit by any substantial margin. The review may indicate that the limit should be raised, or it may indicate that the limit should be maintained with the present order approved, or it may indicate that special credit terms should be arranged for the customer or some other special credit action taken towards him.

2. Upon receipt of a new financial statement. Such statement may indicate a probability that his purchase requirements for the coming year will be greater or less, or that his payment period will be shorter or longer, or that his financial position has disintegrated to a point where no credit limit should be allowed.

3. Upon receipt of an agency or Interchange report, or a change of agency rating, that indicates alteration in the customer's credit position for better or for worse.

Agency Determination of Credit Limits

Some special-line mercantile agencies in their reports or ratings recommend credit limits for their clients' customers.

The method by which these agencies calculate credit limits is to determine the total of trade debt a customer may reasonably be expected to have outstanding during his period of peak purchasing, based on his prior-year purchases and average period of payment, modified for probable increases or decreases in his business during the coming year. This total is then divided by the number of his suppliers (excluding incidental suppliers of small amounts).

These agency credit limits are valuable guides if used with the proper qualifications and adjustments. The agency's calculation of the customer's purchase requirements for the year and his average period of payment is generally as sound as any that can be made by an individual supplier's credit man. Certainly the agency has at least as much information on these matters as an individual credit man; generally it has more. But mere division of the customer's credit requirement by the number of his leading suppliers gives a



"Imagine! All this for 5¢ a day!"

She's getting along fine! Because she has the finest of care . . . a nice room at the hospital, best doctor in town, efficient nurse, *everything* that modern medical science can provide.

And all of it costs her just \$15 a year, actually less than 5¢ a day!

You see, before she had her accident, this smart housewife got Hartford "Medical Reimbursement" accident insurance.

Here's What Your 5¢ Will Buy!

5¢ With this low cost policy, you get up to \$500 to pay hospital, nursing, doctor's and other medical expenses in case of accidental injury. **IN ADDITION**, you get special allowances up to \$162.50 for specified dislocations, fractures, etc. **IN ADDITION**, you get substantial benefits ranging from \$1,250 to \$5,000 for loss of a hand, a foot, eyes, etc.

More than half of all accidental injuries occur in the home, so every housewife needs this protection. Get yours *before* you have an accident! See your Hartford agent or your insurance broker . . . this very day.

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It's a booklet. Concise, interesting, readable, illustrated. It's packed with helpful hints on prevention of accidents in your home. It's authentic—a publication of the National Safety Council. And "this one's on us"—just write for your free copy.



Pity the poor home that has only fire insurance but no protection against a windstorm. Or rather, pity the poor home owner. For a few dollars more, he could have had fire insurance **WITH EXTENDED COVERAGE** . . . and then he'd never, never have to worry about windstorms, hail, explosion,* riot, falling aircraft, smoke or damage by vehicles!

*Except Steam Boilers.

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Every Saturday evening over the Blue Network comes a voice that millions know and trust. It's the voice of Leland Stowe, veteran foreign correspondent, war reporter and analyst, now broadcasting for leading capital stock fire insurance companies including the Hartford. See your local paper for time and station, and tune in this Saturday.



"I bought a War Bond today . . . did you?"



Today and every day, servicemen are buying War Bonds. Men in camps, in front line foxholes, on warships, even in hospitals. Think it over. Is there a single one of us in civilian life who can't afford to buy more War Bonds?

very arbitrary individual credit limit to be used by each supplier. The customer's purchases from one of these suppliers may be several times greater than his purchases from another of the suppliers; the former supplier should use a correspondingly larger limit than the latter. Every supplier, therefore, should recognize that the agency's limit for a customer is an *average* limit; it should be increased or decreased in accordance with the credit man's knowledge of the extent to which his firm's sales to the customer depart from the average.

Informing Customers and Salesmen of Credit Limits

Opinion among credit men is divided as to whether customers should be informed of the credit limits set for them. Those opposed argue that if a customer is informed of an initial low limit that may subsequently be revised upward, he may feel that it is a reflection on his credit standing, and so his goodwill may be lost. Or, though he would be a good risk for a higher credit limit, he may limit his purchases to the limit, and so the credit department is never called upon to review and raise his limit, and good orders are meanwhile missed. Credit men who favor the practice argue that if it should subsequently be desirable at some future time to hold a customer's regular-term credit to the maximum established by the limit, the customer's prior knowledge of that limit enables the credit man to establish the restriction without its appearing to be an arbitrary action.

In this matter, as in so many others in credit practice, circumstances determine cases and there is no one always-valid rule. Where a new customer's financial position is such as to make him a marginal risk to be held to a prescribed maximum of regular-term credit, it is unquestionably good practice to let him know the limit. Any subsequent letter holding him to this limit can use the phrase "the line of credit upon which we both agreed last ———," even though there was no "agreement" between the two parties, but a one-sided determination by the seller's credit manager. The limit thus does not appear to the customer as a surprise factor sprung upon him without warning, but as a contractual to which he has been subject all along. Another occasion when it is useful to notify the customer of a credit limit is when a first order is received from a sound customer from whom the seller hopes to get much larger orders in the future, and whose credit limit is set with those larger orders in mind. In his letter acknowledging the order and welcoming the new customer, the credit man has the opportunity of saying, "We have opened a \$. line of credit to your account." This is a sales promotional phrase, flattering the customer and inviting him to expand his orders.

A credit limit that is truly intended as a "STOP, LOOK, LISTEN" sign to the credit department should never be communicated to the customer. The customer will not necessarily be held to that credit balance, and it would be bad promotional tactics to make him think that his buying will be so limited. If ever the time comes to apply restrictive policies to the customer, they will have to be based on some other considerations than a credit limit which is intended exclusively for the internal management of the credit office.

Salesmen should always be informed when a weak account is restricted as to its buying on regular credit terms, and they may as well be told when such restriction is established by a fixed credit or order limit. When a customer has been informed of a high line of credit for promotional reasons, the salesman should also know the amount of the limit, so that he, if he sees fit, may introduce it into his sales talk for the sake of the customer flattery. There is little purpose to informing salesmen of "STOP, LOOK, LISTEN" credit limits, since such limits would be meaningless to them without constant up-to-the-minute information on the customers' ledger balances, and in any case such limits are not intended to serve as a check on their sales efforts.

Agency Credit Checking

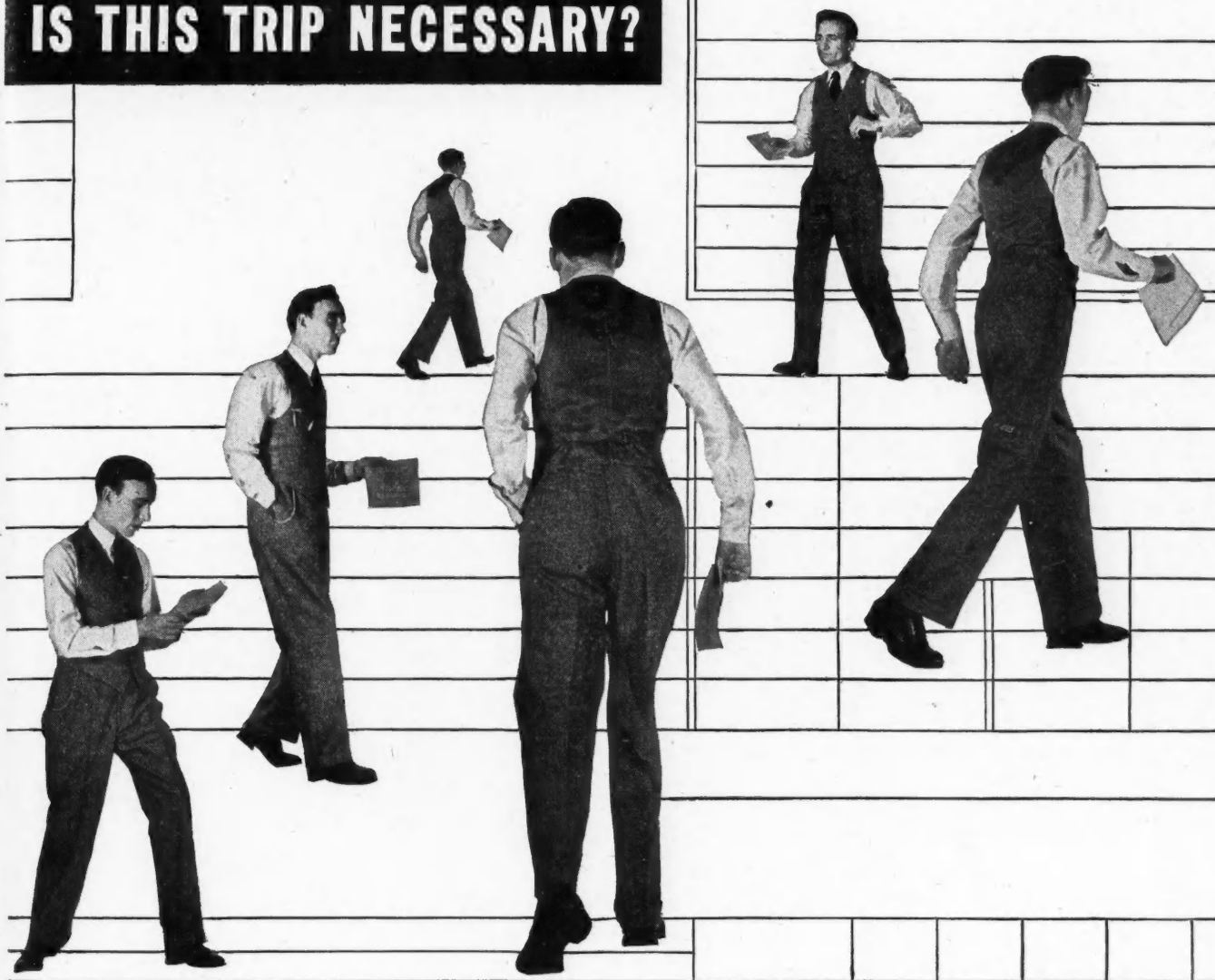
Agency credit checking consists of advice by a credit agency as to whether particular orders received by a supplier should be accepted on regular terms or not. Such service has been developed for lines of business where (1) a large proportion of the purchasers are small firms, many of them with relatively low credit standing, with constant new entries into and departures from the field, and (2) a large proportion of the suppliers are small firms that cannot maintain skilled credit departments. Dun & Bradstreet maintains a credit checking service for the men's and women's wear fields. Several of the special-line credit agencies check for their fields.

When a supplier who subscribes to a credit checking service receives an order, he immediately communicates by phone or mail with the service, giving the name of the account, the amount of the order, and his current payment experience with the account. If this information is given by phone, a confirmation is generally sent by mail.

If the query is phoned, within a minute or two the supplier receives the information that he may safely ship and expect prompt payment, or that he may safely ship and expect slow payment, or that the order is not approved, or that he should hold the order until more information on the account is available. If the query is made by mail, return post will bring him a recommendation concerning the order on a standardized form. Reply to a phone query will also be followed up by a mailed report.

To enable it to make accurate, rapid recommendations of this sort, a checking agency must maintain a folder on each customer. This contains the agency's regular report on the customer, his financial statements with a financial statement analysis summary, current trade reports on the customer, payments derived from the query slips constantly coming in, and—the key to the checking service—a record of all orders about which queries have been made to the agency and of other orders about which it has obtained information. This record is maintained continuously up-to-date as queries on the customer are received. By analysis of the report and financial statements contained in the folder, and from the record of past-year purchases, the agency analysts can determine what the customer's purchasing needs for the current year should be, how they should

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Your business forms *can* be efficient. They can speed up the writing of hand-written records as much as 172%, of machine-written records, 95%. They can reduce confusion, overlapping, the

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The nine companies listed below have long been under Moore ownership. Now they combine under the Moore name—forming the largest company of its kind in the world. For the first time, a fund of experience so diverse as this is available *on a nationwide scale*. Moore goes every step of

the way for you, from preliminary studies to actual printing in lots of hundreds or millions.

The Moore specialist who is ready to consult with you speaks the language of your own business. Let him demonstrate now how Moore business form engineering and printing can show results. Get in touch with the Headquarters of your nearest Moore division, as listed below, or its local office.

AMERICAN SALES BOOK CO., INC., NIAGARA FALLS; ELMIRA, N. Y.
PACIFIC MANIFOLDING BOOK CO., INC., EMERYVILLE; LOS ANGELES, CALIF.
GILMAN FANFOLD CORP., NIAGARA FALLS, N. Y.
COSBY-WIRTH MANIFOLD BOOK CO., MINNEAPOLIS, MINN.
MOORE RESEARCH & SERVICE CO., INC., NIAGARA FALLS, N. Y.
SOUTHERN BUSINESS SYSTEMS, INC., ORLANDO, FLA.
In Canada—Moore Business Forms, Ltd., succeeding Burt Business Forms, Ltd., Toronto;
Western Sales Book Co., Ltd., Winnipeg and Vancouver;
National Sales Check Book Co., Ltd., Montreal

MOORE BUSINESS FORMS, INC.

ADV. BY R. W. KFER

be distributed seasonally over the months, and what the customer's probable term of payment will be. The trade reports indicate whether the customer is averaging that probable term of payment. Each time a query is received, the analyst glances at the current record of orders to see if they are conforming to the pattern of what the customer should be buying. If they are, an approval reply is given to the query, with such qualifications as to probable late payment as are indicated by the record.

For Recording of Assignments of Accounts

(Continued from page 13)

self and make sure you are protected personally.

We are sorry to see that, because there is no reason why there should be a conflict of thought since we are all interested in sound finances and straightforward balance sheets on which credit is extended. We are all working towards that better day when doubt and suspicion will be removed.

The people from whom these finance corporations receive most of their business would have no opportunity to sell receivables if the product we hand to them was not converted into their own product and eventually into sales. We believe that they should recognize that it would be better for all concerned to get together to the end that something be done towards drawing up a bill that would be satisfactory to both.

Other Dangers in Assignments

I believe the greatest danger rests in the type of receivable sales where the seller is allowed to keep control of the accounts by doing the collecting and making his payments to the purchaser. He is expected to make his payments and he probably will, but at the same time he can keep his accounts receivable in one lump sum figure without giving any notice to anyone that he is selling. He can also refuse to give you any financial statement claiming it as "Company Policy."

Today we are asked to go ahead and be patriotic. The plant is working on a "hot" contract and I can assure you that not every plant that received a contract should have received it, or were either financially or mechanically fit to undertake it.

We must build a solid wall against any practices, hidden or otherwise, because sooner or later such acts are bound to reflect unfavorably upon the concern whose balance sheet does not reflect their true condition.

I am convinced that there should be a law in every state in the Union making it illegal to sell assets without recording. The honest firms would not object and the questionable firms would have to stand the light of day. We in turn could assist the righteous and control the others. No one questions the man out in the open but he watches sharply the man skulking in the shadows.

Those Who Have Nothing to Hide

A man who has nothing to hide has nothing to fear

and if he has nothing to fear, he will not object to letting you look at his last financial statement and will really be proud of it.

I am convinced that all financial institutions as well as industry, will agree that the extension of credit in the days to come, will be essential but we must all agree that it must be done with safety, to the end that we retain the inspiration of our ideals of economy, industry, honesty, and order.

Hidden figures cause retrenchment and create doubt as to the soundness of the company requesting credit and remember that it is only on the sound extension of credit that the permanency and prosperity of our Trade, our Commerce, and our Country rests.

Finance Department of Uncle Sam's Army

(Continued from page 16)

This insurance is a voluntary choice by the soldier, and the amount taken may range by multiples of \$500 from \$1,000 to \$10,000. There are now approximately 10,000,000 policies in effect, some soldiers having more than one. The monthly amount so set aside from soldiers' pay is more than \$52,000,000 which represents premiums on insurance in effect totaling nearly \$70,000,000,000. This is a life insurance business bigger than that of all commercial life insurance companies combined!

Military personnel may purchase war bonds either through allotments or in cash. Purchases are made from the disbursing officer of the soldier's unit; but in the case of tactical units or personnel overseas, the actual issuing of the bond is done by the Army War Bond Office at Chicago, also an activity of the Office of the Fiscal Director.

A bond purchase program for civilians, also based on pay deductions is administered by the Office of the Fiscal Director; and since January, 1943, approximately 16,000,000 have been issued, and more than \$400,000,000 received. These are handled through 327 bond issuing officers. War Department military and civilian personnel have purchased since May, 1942, \$1,422,000,000 war bonds.

In anticipation of V-day the Office of the Fiscal Director, together with other Army Service Forces components, is preparing for increased duties and anticipating little contraction in operations until the last military activity abroad. Fewer dollars may be spent, but the organization for paying soldiers, civilians, and dependents, for meeting the bills of industry and carriers; for recording financial transactions; and for exercising fiscal controls will have to be maintained. Contract termination accounting will add to the work. Payroll adjustments and delayed or incomplete presentation of bills will result in arrears of financial transactions that may continue long after the war and the items for which payment is being made have passed into oblivion.

Peace will not, therefore, end the activities of the Office of the Fiscal Director and the Finance Depart-



Buy—and KEEP—More War Bonds

Strength

UNITED STATES RESOURCES AS OF DECEMBER 31, 1944

Year Estab- lished		ADMITTED ASSETS	LIABILITIES	CAPITAL	SURPLUS TO POLICYHOLDERS (Includes Capital)	
					Annual Statement Basis	Market Values Dec. 31, 1944
1896	American & Foreign Insurance Company . . .	\$ 8,909,502	\$ 3,385,066	\$1,500,000	\$ 5,524,437	\$ 5,741,045
1863	The British & Foreign Marine Ins. Co., Ltd.† . .	5,937,391	3,115,027	500,000	2,822,365	2,970,620
1911	Capital Fire Insurance Company of California . .	2,821,757	771,467	1,000,000	2,050,290	2,144,124
1922	Eagle Indemnity Company	13,844,077	11,344,077	1,000,000	2,500,000	2,921,046
1908	Federal Union Insurance Company	4,200,191	1,838,174	1,000,000	2,362,017	2,485,488
1911	Globe Indemnity Company	51,812,622	39,312,622	2,500,000	12,500,000	14,474,985
1836	The Liverpool & London & Globe Ins. Co. Ltd.† .	22,875,043	14,868,660	500,000	8,006,383	8,575,989
1811	The Newark Fire Insurance Company	12,839,282	5,933,675	2,000,000	6,905,607	7,293,546
1891	Queen Insurance Company of America	29,369,542	15,466,917	5,000,000	13,902,625	14,784,875
1919	Royal Indemnity Company	48,758,898	38,758,898	2,500,000	10,000,000	11,856,842
1845	Royal Insurance Company, Ltd.†	26,709,063	15,981,001	500,000	10,728,062	11,353,390
1924	The Seaboard Insurance Company	1,998,569	691,055	600,000	1,307,513	1,385,624
1896	Star Insurance Company of America	7,712,627	4,285,579	1,000,000	3,427,048	3,655,879
1860	Thames & Mersey Marine Insurance Co., Ltd.† .	3,696,143	1,935,892	500,000	1,760,251	1,838,170

† United States Branch. The amount shown under "Capital" is the statutory deposit required to transact business in the U. S. A.

Admitted Assets of All Companies include securities deposited as required by law.

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ment. Tapering off will probably be slow. Reconciliation and auditing of the many detailed activities will require both time and personnel. Contract termination accounting and auditing will assume massive proportions. The accelerating and pyramiding of demobilization items, such as mustering-out pay, will cause a shift of emphasis but will delay reduction in disbursing offices. Payments for late deliveries or for arrears, and especially for the enormous cost of transportation incidental to demobilization, will keep the finance offices busy long after the last gun is fired, and V-day is history.

Production Capacity as a Credit Asset

(Continued from page 6)

tools should be made available to business so that it may

have the opportunity to increase production, reduce operating costs and, through the full use of technological information which has been accumulated during the war years, to be able to place in the hands of the consumer the finest products that can be made at the lowest prices for which they can be sold.

In summation, I should like to emphasize that while it is my opinion that the financing of some businesses after the war will require careful study, vigorous action by the financial executive in probing each application thoroughly, with particular stress on the management element, should release a flood of credit and capital to solve any problem of the future.

To steal a page from the record of one of America's greatest financiers, J. Pierpont Morgan, the elder, "Remember, that any man who is a bear on the future of this country will go broke."

Legal Views of G. I. Loans

By JEROME E. HEMRY

Member Oklahoma City Bar and Insurance Section, American Bar Association

OF Loans of \$4,000 or less, made under the G. I. Bill of Rights with Government guaranty of \$2,000 are a very safe investment, and it is almost impossible for a bank to lose money on such a loan if a mortgage is taken and usual care is exercised. Many bank officers, and even publications distributed to bankers, have erroneously stated that the guaranty being for only 50 per cent of the loan would cause the bank to lose 50 per cent of any loss that is sustained. This is not true.

In the first place, the loans are guaranteed as distinguished from being merely an indemnity agreement, under which indemnity agreement foreclosure of the security would be required before the loss is established. Under a guaranty the United States Government is required to pay the amount of the indebtedness, which amount is determined at the day claim is filed, within the limits of the guaranty.

Under the regulations issued by Veterans' Administration, to cover loans upon homes, businesses, farms, and farm equipment, the great advantage to bankers and other lending institutions flows from the fact that after claim is filed with Veterans' Administration the amount of the Government's obligation is then fixed and thereafter all money received from foreclosure on the security goes 100 per cent to the lending bank to repay the debt, including expense of foreclosure and attorney fees, as the administrator's rights are junior to that of the creditor until the creditor has received his full payment. Section 36.4043 Home Loan Regulations (Section 36.4243 Business Loans, Section 36.4143 Farm Loans) provides as to this dominant position of the lending bank as follows:

An address delivered to Oklahoma Association of Bank Auditors and Comptrollers.

"The Administrator is subrogated to the contract and the lien rights of the creditor to the extent of such payments, but junior to the creditor's rights as against the debtor or the encumbered property, until the creditor shall have received the full amount payable under his contract with the debtor."

Another section of the regulations that confirms the foregoing statements is Section 36.4014 of Home Loan Regulations, which reads as follows:

"Pro rata decrease of guaranty. The amount of the guaranty shall decrease pro rata with any decrease in the amount of the unpaid principal of the loan, *prior to the date the claim is submitted.*" Same statement appears as to Business Loans Section 36.4214 and as to Farm Loans Section 36.4114.

Of course, the important words in said quotation are the fact that the amount of the guaranty does not decrease after the date the claim is submitted. Obviously, the creditor is only entitled to receive his money back 100 cents on the dollar plus expenses, and any amount beyond that which he received must be repaid to the Government.

To illustrate the foregoing: If the loan is \$6,000, of which the Government guarantees \$2,000 or 1/3, on which principal payments of \$300 have been made prior to default, the amount of the guaranty is \$2,000 less 1/3 of the principal paid, leaving the fixed guaranty at the time of claim the sum of \$1,900. Claim is filed with the Government for the full \$1,900 and thereafter, unless the Administrator elects to take over the loan and pay the bank in full, the bank has the right to foreclose on the security. If it sells for \$4,500, the bank keeps the full \$4,500 realized from the sale and then collects, if not previously paid by the Administrator, the entire remaining loss of \$1,200. The bank

is entitled to collect up to \$1,900 if necessary to bring the bank out whole.

An excellent pamphlet as to the G. I. loans has been published by the Committee on Service for War Veterans, American Bankers Association, in which the statement is made at page 9:

"The regulations provide, in accordance with the provision of the Act, that the Administrator is subrogated to the lien rights of the holder of the obligation to the extent of payments made pursuant to the guaranty, but such subrogation is *made junior* to the creditor's rights as against the debtor or the mortgaged property, *until the creditor shall have received the full amount payable on the guaranteed loan*. The effect of this is to permit the creditor to recoup any loss on the unguaranteed portion either out of the proceeds of the sale of the mortgaged property on foreclosure or out of other assets of the debtor under a deficiency judgment or separate suit on the note"

Said publication at page 8 refers to the regulation last above quoted and that phase of it pertaining to the date the claim is submitted and then concludes:

"The italicized words are important as they make it clear that a decrease in the amount of unpaid principal of the loan by application of the mortgage security or otherwise after claim under the guaranty is made will not reduce the guaranty but instead the obligation of the Administrator under the guaranty becomes fixed at the time the claim is submitted."

The entire law, as signed by the President in June, 1944, contains less than 2000 words. It is important to note that Section 500 thereof deals with general provisions for loans, Section 501 with home loans, Section 502 with farm loans, Section 503 with business loans, and Section 505 covers a distinctly different type of loan, namely, a loan for which the bank would obtain a second mortgage, inferior to the FHA or other Government loan, said second mortgage to be guaranteed in full by the United States Government, but same is limited in amount to 20 per cent of the purchase price or cost of the

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property or \$2,000, whichever is the lesser. There is no limitation on the amount that a bank can lend under all sections except the second mortgage under Section 505 and under some phases of the business loans. Obviously, if a loan is made for \$10,000 and the security cannot be foreclosed for at least \$8,000, a loss to the bank would be possible on this larger loan.

Direct Obligation of United States of America

The guaranties in question are the direct obligation of the United States Government as distinguished from some instrumentality of the Government. The Government's guaranty certificate is rather short and obligates the United States of America to pay the amount of the guaranty and in addition thereto and beyond the \$2,000 limit to the guaranty, the Government is also obliged to pay the first year's interest on the guaranteed part of the loan. Since the maximum interest rate that can be charged is 4 per cent, this particular guaranty as to the first year's interest could not exceed \$80. This item of interest payment is the only gift that is made by the Act to the veteran.

There has been a good deal of confusion in the minds of the general public as to whether this Act was another soldier bonus or some other gratuity from the Government. The English language could not more plainly show that the matter is a loan, which *"the United States will collect from the veteran, or his estate, by set-off against any amounts otherwise payable to the veteran or his estate; or in any other lawful manner, any sums disbursed by the United States on account of the claim pursuant to the guaranty,"* which is a quotation from the regulations. A recent newspaper editorial deplored the fact that the loans being limited to \$2,000 would be wholly inadequate to start a soldier into farm operations. The law makes it very clear that only \$2,000 of the loan is guaranteed by the United States of America, but if the \$2,000 guaranty is used, the minimum of such loan would be \$4,000 and as previously stated, there is no limitation to the amount that can be loaned for homes or farming operations although the law itself requires that the loan be made on a sound business basis which would prohibit excessive loans, having due regard to the experience, probable income, and probability of successful operation on the part of the veteran.

Home loans are restricted to residential property consisting of not more than four family units or a combination dwelling and business property, the primary use of which is occupation by the veteran as his home.

No property can be purchased by the veteran costing more than its reasonable normal value, having due regard to the history of prices for similar properties, future re-sale possibilities, and long term conditions. Many bankers feel that this limitation in towns where values have materially increased due to the war industries, may eliminate the approval of loans. The instructions to appraisers have not yet been made public, but it is reasonable to assume that the Veterans' Administration will make every effort to have appraisals made in such a manner as to permit the loans to be made under present conditions in most localities. If the

regulations recognize the three usual methods of appraisal, namely: (1) Reproduction costs, (2) Return on investment, and (3) Comparative prices of other properties, most lending institutions should be able to close all loans that are on a sound basis even though the values are 30 or 40 per cent higher than they were before the war. If further latitude is granted to the appraiser to consider the special value of the particular property to the particular veteran such as ability to obtain immediate possession for his family in a district within walking distance of his work or where special transportation facilities are available, this, too, would materially facilitate closing of loans. At present, the administrator is authorizing some loans in excess of appraised values, where special conditions warrant same. He can increase loans, above appraised values, by 10 per cent up to \$5,000, and by 5 per cent above \$5,000.

How to Obtain a Guaranty

The first step in processing one of these loans is to have the veteran read the green form number 1804, an explanation that is contained on one sheet of paper and very clearly states that it is a loan, the amount of which is not limited and that any lender has the right to refuse to make a loan without stating a reason. If the veteran wants to proceed, he should fill out the short certificate of eligibility, form number 1800, that shows his serial number, date of entrance for active duty, and date of discharge. Recent instructions to state offices of Veterans' Administration, where said blanks can be obtained, require that the location of the property be shown in the upper right hand corner of said certificate as to real estate loans. If the veteran is receiving disability payments, listing his claim or disability number will expedite obtaining certification from Veterans' Administration. It is also wise on other veterans to attach the original honorable discharge to the certification after the veteran signs the certificate of eligibility. It is now being processed in only four places in the United States, namely: Washington, D. C., New York City, Chicago, and San Francisco. We are told by Colonel Harold Lee, General Counsel, Federal Home Loan Bank of America, Washington, D. C., that it is contemplated that those offices will shortly complete their training of crews which will be set up in various regional offices in practically every state. When the volume of applications justifies more offices, as was true with HOLC, they will no doubt be established.

When the office in question has determined that the veteran is eligible due to active service since Sept. 16, 1940, of at least 90 days or discharge in less time due to injury or disability incurred in service, and that he had not exhausted his guaranty of \$2,000, the Veterans' Administration will earmark the amount of the guaranty that remains or is requested and endorse on the certification of eligibility the fact that said amount has been reserved from his guaranty credit and thereon will give you the name and address of the appraiser who is to appraise the property. The bank cannot request the use of a special appraiser. A list of appraisers has been prepared in Washington, D. C., and will no doubt contain the names of the recognized competent appraisers in each locality.

After Certificate of Eligibility has been executed, a detailed application on form 1802, to which is attached Loan Guaranty Certificate, form 1801, should be completed and mailed to the designated office as specified on the Certificate of Eligibility. A desk review of the application will be made, together with credit report, appraiser's report, proposed loan closing statement, and if the papers are in proper order, the administrator will execute the loan guaranty certificate on behalf of the United States of America, same to become effective when the bank pays out on the loan and forwards the administrator the properly signed report of closing, showing disbursements, that note and mortgages were properly executed, mortgage recorded, and other requirements satisfactorily fulfilled.

If the Veterans' Administration declines to approve the application and guaranty, he must state his reasons therefor, sending a copy of his letter of denial to the veteran and the Agency. The veteran, the proposed lender, or either, may appeal to the administrator for review of a denial within one month after receipt of notice of denial. Upon denial the expenses incurred by the lender shall be paid by the veteran as they shall have agreed.

The Veterans' Administration will not examine abstracts of title but makes it the responsibility of the bank or lending institution to satisfy itself that the veteran has merchantable title to real estate.

There are only four ways in which the bank can release the Government from its guaranty or a part thereof, namely: (1) Failure to obtain a merchantable mortgage or other accepted instrument, duly recorded; (2) Failure to obtain and see that proper insurance is kept in force; (3) Failure to notify the Administrator of tax delinquency one month before sale of the property; (4) A release of the veteran's obligation. The losses above mentioned shall relieve the Government of its guaranty only to the extent of the loss occasioned by the bank's negligence as above specified.

The veteran is entitled to exhaust the \$2,000 guaranty on one loan or to use parts thereof on as many



Easy Sailing Now...but there may be Rough Going Ahead

LOOK at the accompanying chart . . . which shows how failures multiplied after World War I. In three years . . . from the 1919 level . . . the number of commercial and industrial failures jumped 267%. Current liabilities involved jumped 450%.

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loans as he can obtain whether they be for a first mortgage on his home, business loan, farm loan, or a second mortgage on his home inferior to the F. H. A. loan. There are no restrictions upon the sale of property upon which the guaranty has been placed but once a guaranty is issued, if that loan is paid off and the full \$2,000 guaranty was made, the veteran is not entitled to another guaranty even though the Government has sustained no loss under the original guaranty.

Loans cannot be obtained to refinance an existing indebtedness on the veteran's home, although if his present loan is in default he can obtain a guaranty for a loan to pay the amount of the payments that he has missed (without any acceleration of the principal), taxes, insurance, repairs, and improvements. The home loans must be used otherwise for the purchase or construction of a home for the veteran. The business loans must be used for the purchase of any business, land, buildings, supplies, equipment, machinery, or tools to be used by the veteran in a gainful occupation. The farm loans must be used in purchasing land, buildings, livestock, equipment, machinery, or implements or repairing or improving same, to be used in farming operations.

Each loan must bear a rate of interest of 4 per cent or less, contain a provision permitting prepayment of all or any part at any time without penalty, effective at the due date of the next installment. Term loans on real estate must be made for not more than five years, but only for 2/3 of the reasonable normal value of the property. An amortized loan on real estate must be made payable within not more than twenty years with periodic payments not less frequently than each year, which under standard amortization practice, will pay the entire obligation in twenty years.

Any payment that is made by the veteran is first applied to payment of taxes and insurance, then to interest and finally to principal. Any payment that is credited to principal reduces the amount of the guaranty proportionately, but if the lender elects to thereafter advance money for taxes, insurance, or emergency repairs, the guaranty is increased proportionately, but never to exceed the original \$2,000 or whatever amount was originally guaranteed.

Business Loans

Business loans can only be made to a veteran pertaining to a business in which he will be actively engaged. It must be a bona fide pursuit on his part of such gainful occupation. The terms, "supplies used in the business," means articles normally used, necessary, and expended in the operation of a business or profession, including service industries, both personal and industrial. As to supplies, equipment, and machinery purchased through any normal commercial channels, the invoice price will be considered the reasonable normal value. If the articles are second-hand, an appraisal must be made.

Loans for the acquisition of a business must mature in not more than five years, and the purchase of the business must include the good will of the seller, and in case of service industries shall include a provision forbidding the seller engaging in a similar business within such period of time and such area as the parties

may designate. In so far as practicable, all assets of the business acquired shall be pledged as security for the loan.

Loans for purchases of equipment and machinery covering the entire purchase price must be secured by a first lien to mature in not more than three years. A loan covering the initial payment on purchase of such articles shall not exceed 1/3 of the purchase price and shall not exceed \$1,000, the maturity of which shall not exceed one year for loans of less than \$500 or two years for loans exceeding \$500.

Loans for the purchase of supplies shall not exceed \$1,000 and must mature within one year, but security is not mandatory where it is not practicable or customary to take security.

It is important to note that business loans are not permitted for the acquisition of additional inventory or for other working capital purposes.

Real estate to be used in a business must be mortgaged to the lender if the amount exceeds \$500 and may be a term loan of not to exceed five years or an amortized loan for not to exceed twenty years' duration. The loan agreement may provide for variable amortization payments, depending upon the earnings of the business and other reasonable operations that are customary in the community.

Farm and Farm Equipment Loans

Farm and farm equipment loans can only be made to a veteran who is engaged or starting to engage in bona fide farming operations as his major occupation, involving actual production and marketing of crops, livestock, or other agricultural commodities, at which he is likely to be able to succeed because of his actual knowledge of farming. He must be reasonably able to derive sufficient income from his farming operations and Government readjustment allowance, if any, to meet necessary living and operating expenses.

It is mandatory that he either own his farm or have lease thereon for a period sufficient to make a suitable crop, evidenced by a lease or appropriate letter from the landlord. No credit report is necessary unless specifically required on the Certificate of Eligibility. Credit report is mandatory on business loans and on home loans but not on farm loans.

The Veterans' Administration has designated authority to the Secretary of Agriculture, who is setting up "Veterans' Loan Certifying Committees" which operate in conjunction with the Farm Security Administration, which committee will have a member who is a veteran and, if possible, a businessman. Said committees will receive the applications for guaranty of farm loans and will make recommendations to the Administrator for approval or disapproval. Each member of the certifying committee must sign the recommendation made and if any member fails to participate in the decision, such fact must be noted on the recommendation.

We feel that careful consideration was given to the drafting of the regulations in an effort to make the law workable and as fair to all parties concerned as was possible under the Act of Congress. If cooperation is achieved all along the line, a distinct service will have been rendered to the returning veterans and to the community as a whole.

Les Fishbeck of Los Angeles Gives Cup for Zebras

Les Fishbeck, Coast Packing Co., Los Angeles Grand Exalted Super Zeb, of the Royal Order of Zebras, has presented a loving cup as an award to the Zebra Herd scoring the highest percentage of membership gain during the balance of the association year. Notice of this award was sent to all Zebra Herds during February and the Zebras are now hard at work lining up membership prospects in the hope of getting points for the competition for this trophy.

Henry H. Heimann to Speak at Annual Meet in Cincinnati

Cincinnati—The annual meeting and election of directors of the Cincinnati Association of Credit Men will be held on Tuesday, April 3, in the ball room at the Alms Hotel. Executive Manager, Henry H. Heimann will make the principal address at this dinner meeting. The election of five directors will be made from a list of ten names presented for the consideration of the Cincinnati members, each candidate having a campaign manager and a committee working for his election.

Death of A. C. Burchett Mourned at Memphis

Memphis—Members of the Memphis Association of Credit Men mourned the death of A. C. Burchett, Sr. He had served as a member of the National Board of NACM and also served in several offices of the Memphis Association. Al Burchett was known throughout the Tennessee area as one of the leading bankers and was at one time president of the Tennessee Bankers Association. He was a former member of the Executive Board of the American Institute of Banking. He served for twenty-nine years as an officer of the Bank of Commerce & Trust Co. in Memphis.

Elizabeth Club Hears Talk on Legislation

Elizabeth, N. J.—The Union County Credit Club of the New Jersey Association of Credit Men heard a talk on NACM legislative problems by Kenneth A. Patterson of the National Association staff. At this luncheon meeting five members of an executive committee were selected to carry on the activities of the Union County Credit Club during the forthcoming year.

Rodriguez Talks on Foreign Trade at Worcester Assn.

Worcester—Camilo Rodriguez, National Director and Assistant Secretary and Credit Manager of the Davol Rubber Co., Providence, was the speaker at the March 12 meeting of the Worcester County Association of Credit Men. Mr. Rodriguez took as his subject "Know Thy Neighbor," his address being devoted exclusively to the general aspects of foreign trade, but especially trade in Central and South America.

Tarleau Tells of Postwar Tax Plans

New Haven—Thomas N. Tarleau, Tax Consultant of New York City, spoke at the March 21 meeting of the New Haven Association of Credit Men. His subject was "The C.E.D. Postwar Tax Plan." Members of the New Haven Bankers' Association, the Manufacturers' Association, and the Cost Accountants were invited to attend this meeting. Mr. Tarleau is a member of the law firm with which the late Wendell Willkie was associated.

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Senior "C" Men in New York Attend Management Class

New York: A series of four lectures on business management was started on March 22 by the New York Credit Men's Association. Fifty senior executives have enrolled for this course, which is sponsored generally by the Educational Committee of the New York Association and the New York Chapter N.I.C. The first lecture on March 22 was given by E. L. Siggins, Assistant to Director of Personnel Relations, General Motors Acceptance Corporation. His subject was "Personnel Management and Federal Laws Affecting Employee Relations."

The second lecture will be on April 5 and continued on April 12 by E. L. Van Houten, Vice President Standard Coated Products Corporation. The subject of these lectures will be "Effective Management in the Postwar Economy." On April 19 A. Louis Oresman, Certified Public Accountant will talk on "Taxation—Changes in the Law and How Management is Affected." The price of the four lecture courses has been set at \$10.00. The class opens at 6:30 and closes at 8:30, meetings being held in the Lecture Rooms at the New York Association headquarters.

Women's Credit Club of Boston Names Officers

Boston: The annual meeting of the Credit Women's Club of Boston was held on March 14, 1945, at the Pioneer Hotel. This being the occasion of the first birthday of the club, each member was presented with a beautiful gardenia corsage by the retiring president, Miss Mary E. C. Curran of Jones, McDuffee and Stratton Corp. The speaker of the evening, Mrs. Mary Shaw Swain, whose charming personality and intense interest in the "Dumbarton Oaks Proposals," enthused all the members in current international affairs.

At the conclusion of her address, the club held its election of officers as follows:

President, Miss Marie A. Scampini, Brown Wales Co.; Vice President, Miss Edith Leonard, Colonial Beacon Oil Co.; Treasurer, Miss Catherine Lane, Hawkins Lumber & Warehouse Co.; Secretary, Mrs. Lillian H. Ripley, Petroleum Heat and Power Company.

Boston Banker Tells Of Postwar Headaches

Boston—Ralph E. Flanders, President, Federal Reserve Bank of Boston, was the speaker at the March 27 meeting of the Boston Credit Men's Association. Mr. Flanders spoke of credit problems of the present day and some that might bring business headaches after V-Day.

Marie Ferguson of National Staff, at Binghamton Meeting

Binghamton—Miss Marie Ferguson, a member of the National Staff of the National Association of Credit Men, spoke at the March 21 meeting of the Triple Cities Credit Women's Club. She outlined some of the important developments of the Credit Women's Group Movement in NACM during the past twenty years and told of the important part now played by credit women in many of the associations affiliated with the National Association of Credit Men.

Tacoma Women's Club Marks 8th Birthday

Tacoma: The Tacoma Credit Women's Club celebrated its 8th anniversary at the March 12th meeting, with a special birthday dinner, complete with cake and candles. For the occasion, past presidents of the club were invited. They are Ruby Bennett, who was the first president, Mayme Wagner, now of Seattle, Terese Gardner and Bobbie Swinggi.

The speaker for the evening was A. H. Heath of the Hunt & Mottet Company who had been largely instrumental in promoting the enthusiasm which led to the beginning of the club eight years ago. He spoke to the members as an old friend and his talk was thoroughly enjoyed.

Chattanooga Enters 35 New Members

Chattanooga: J. Homer Hardy, C.P.A. and tax specialist, was the guest speaker at the November Dinner Meeting of the Chattanooga A.C.M. He gave a general outline of the various tax plans in addition to talking on personal income taxes.

C. Callaway, Jr., membership chairman, introduced five new members at the meeting, which made a total of thirty-five new members to date, as well as showing the net gain for each month of this fiscal year.

Talks on Dumbarton Oaks

Minneapolis: The Dumbarton Oaks peace plan was discussed by Mrs. Henry J. Bessen and Mrs. Schuyler Woodhull, members of the League of Women Voters, at the dinner meeting of the Minneapolis Wholesale Credit Women's Club, Tuesday, March 13, at the Central YMCA. After the able presentation of the peace proposals by the two speakers, a Question and Answer period followed.

Of great interest to all members present was the announcement by the Finance Committee that a total of \$706 had been raised through a White Elephant Sale held last December and a recent War Bond Raffle.

Insurance Forum Is Indicated by Vote of New York "C" Executives

New York: More than one hundred members of the New York Credit Men's Association have indicated their special interest in a forum session on Insurance in relation to Credit Management according to an announcement made by William G. Betsch, chairman of the insurance committee. These members indicated their interest in such a forum in a special questionnaire recently sent out. It is the plan to have this forum meeting addressed by experts conversant with different types of insurance coverage and follow each address with a question and answer period. The Public Meetings Committee will determine when this insurance forum meeting will be held.

New York Credit Men Adopt Revisions in By-Laws, Constitution

New York: New Constitution and By-Laws have been adopted by the New York Credit Men's Association. While these do not differ radically from the former ones, the changes bring them more in line with present day conditions. William Fraser of J. P. Stevens & Co., former National President NACM, was chairman of the committee drafting the revision. One change provides for the advancing of the Association's annual meeting and election of officers from the latter part of May till the early part of May. Another By-Law limits the election of members of the Board of Directors to two full consecutive two year terms.

Philadelphia Plans Series of 3 Forums

Philadelphia: The Credit Men's Association of Eastern Pennsylvania announced a special series of three Forum Dinner Meetings starting on February 6. The first forum has as its subject "The Responsibility of the Credit Manager in the Post-War Period." The second forum on March 8 will be devoted to "Sales and Credit Department Cooperation in 1945," and the third forum on April 3 will be devoted to "The Effect of the Assignment of Accounts Receivable as Security for Loans." The Association is using a plan of selling tickets for the entire series for \$7.50, while separate tickets are offered for \$2.75.

New Jersey—The New Jersey Credit Woman's Club was the host to the New Jersey Association of Credit Men at the Robert Treat Hotel on March 20. The speaker was S. Guernsey Jones, Assistant Cashier and Manager of the Foreign Department of the National Newark and Essex Banking Company, who spoke on current economic trends.

NEWS ABOUT CREDIT MATTERS

A section devoted to
Credit Association affairs

April, 1945

Copy deadline
10th of Month

Credit Executives To Be Leaders In Reconversion Era

The year 1945 will be one of both challenge and opportunity to the credit executive, Leo Cherne, executive secretary of the Research Institute of America, told a luncheon Forum meeting of more than six hundred members of the New York Credit Men's Association at Hotel Pennsylvania on March 19. Mr. Cherne pointed out that the return of peace time production will bring a re-establishment of a credit economy and that the credit executives will be the ones who will direct and control that economy.

"Today and for the next 200 days our problem is with shortages," Mr. Cherne said. "With the presence of swollen savings and swollen pocketbooks, and the separate individual shortages that suddenly will become acute in 1945, I see no runaway inflation this year, but I do see the possibility of a real break if the unidentifiable things which precipitate it occur.

"Nineteen hundred and forty-five will be the year where we have the greatest and most critical fight against the black market. You have a curious and unequalled responsibility where the black market is concerned. There is no greater danger to a credit economy than black market practices.

"Black market aids the inflationary spiral. It is the one thing that can set the match to the fuse that already exists, and it certainly need not be emphasized to the credit man that inflation hurts all the values with which credit is concerned from day to day. You will never adequately separate black market from tax evasion."

Retailers' Nite at Rochester

Rochester—The Dinner Meeting of the Rochester Association of Credit Men on March 14 was featured by the attendance of a large number of members of the Retail Credit Association. It was named as "Retailers' Nite." The address at the Dinner was made by Stanley Johnston, War Correspondent for the Chicago Tribune.

Hussey Honored

Rochester—William C. Hussey, National Director NACM has just been elected Secretary of his Company, Levy Brothers & Adler Rochester, among the leading clothing manufacturers of this city. Mr. Hussey who has served the Rochester Association in various capacities including president, is now designated as councillor and is one of the prominent figures in the Annual Tri-State Conference of the New York-New Jersey area.

Survey on Credit Conditions Made for Paint Industry

The Paint & Allied Industries Credit Association recently completed a very interesting survey on credit conditions in the metropolitan market. The three-year pre-war period and the three years since the outbreak of the war, were used for comparative purposes. This analysis was made in collaboration with the Credits and Collections Committee of the New York Paint, Varnish and Laquer Asso.

The survey indicates that in 1938 . . . 3544 accounts represented virtually all of the paint dealers in the metropolitan area as against 3170 in October, 1944. The trend of improved payments during this six year period is graphically illustrated concurrently with the resulting improvement in credit conditions.

History will repeat itself and credit losses will rise again.

To enable the industry to retain the important features of the benefits of the present as a solid foundation to build upon for the future, the following policies are urgently recommended:

Respect for credit terms.

Maintain systematic collection programs that will be firmly established when credit conditions are not as favorable as they are today.

Support the activities of the Paint & Allied Industries Credit Association in its sincere endeavors for the maintenance of sound credits in the paint industry.

Secure the foundation for the protection of credits to be extended on the Eastern Seaboard by consolidation of all the paint groups now clearing ledger experiences through various sources.

Henry H. Heiman Completes Long Speaking Tour

Executive Manager, Henry H. Heiman, will return to the National office during the first week in April after completing his first speaking tour since his return to full time duty with NACM after his service with the USNR. He left New York on Saturday, March 10, going direct to Lexington, Kentucky, where he spoke to a large audience on Monday, March 12. On the 13th he addressed another large audience before the Louisville Association of Credit Men and also conferred with National President Robert L. Simpson. On Wednesday, March 14, he spoke before a forum meeting of the Chicago Association after spending an afternoon in conference with the presidents and councillors of Associations in the Fifth District.

Then after a long jump to the Pacific Northwest, he spoke at Seattle on Monday, March 19. On the following day, he had an all day conference with the presidents, councillors and secretaries of the six associations in the Northwest area including the following: Bellingham, Spokane, Tacoma, Seattle, Portland, Oregon, and Lewiston. This meeting took the place of the Northwest Conference in determining Association policies for the organizations in the Northwest.

On Wednesday, March 21, he spoke at a noon luncheon in Bellingham and on March 22 addressed the members of the Tacoma Association. On Friday, March 23, he spoke before the Portland Association and then spoke at Lewiston on March 26, at Spokane on March 27 and at Billings on March 29.

Returning to Chicago he is scheduled to speak on April 4 at Cincinnati on his return to the National office.

Chicago: Henry H. Heiman, Executive Manager of the National Association of Credit Men, spoke before the March Forum of The Chicago Association of Credit Men in the Century Room of the La Salle Hotel, Wednesday evening, March 14. The Forum was held under the auspices of the Committee on Economic Development.

The subject of Mr. Heiman's address
(Continued on page 36)

Paul M. Millians At Chattanooga

Chattanooga: Paul M. Millians, Vice President Commercial Credit Corporation of Baltimore, spoke at the monthly meeting of the C.A.C.M. held at the Read House. Mr. Millians' subject was "The Daze of Our Years."

C. Callaway, Jr., membership chairman, introduced a number of new members and guests.

Paul J. Viall gave a report on the Legislative Committee's activities during the past few months.

Rockford "C" Men Have Demonstration of NACM Activities

Rockford: Members and guests of the Rock River Valley Division of The Chicago Association of Credit Men enjoyed a unique visual presentation of the activities of the Association at a dinner meeting at Hotel Nelson, Thursday evening, March 1. The presentation was under the direction of Harold F. Hess, Director of Public Relations of the Chicago Association.

Following the dinner there was a Round Table discussion in which all present took part.

Foreign Trade Group Of Chicago Holds Ladies' Night Dinner

Chicago: Miss Eloise ReQua, Director of Library of International Relations, Chicago, was the guest speaker at the annual Ladies' Night dinner of the Foreign Trade Group of The Chicago Association of Credit Men at the Merchants and Manufacturers Club in the Merchandise Mart, Friday evening, March 23. The meeting was largely attended. Invitations were extended to the entire membership of the Association and in addition to the members of the Credit Women's Club of Chicago and to the Business and Professional Women's Club of Chicago.

Following Miss ReQua's interesting address, a motion sound picture in technicolor "The Amazing Amazon" was enjoyed. J. C. Hajduk, Victor Chemical Works, Chairman of the Foreign Trade Division Committee, presided.

Construction Machinery Group Names Committee

Chicago: Credit executives attending the annual mid-winter conference of the National Construction Machinery Corp. at the Drake Hotel Chicago, Wednesday and Thursday, February 21 and 22, elected the following Executive Committee to direct the affairs of the Group during the coming year:

Karl W. Cooke, Davey Compressor Co., Kent, O., Chairman.

C. J. Fulweber, Byers Machine Co., Ravenna, O., Treasurer.

E. W. Butler, The Jaeger Machine Co., Columbus, O.

Karl E. Kluge, Butler Bin Co., Waukesha, Wis.

Oscar Held, Sterling Motor Truck Co., Milwaukee.

Fred L. Squires, Link-Belt Speeder Corporation, Chicago, was appointed Ex-officio Senior and James S. Cox, The Chicago Association of Credit Men, secretary.

Los Angeles Zebras Celebrate 1000 Mark Reached by LACMA

Los Angeles: Forty-two were present as the Los Angeles Herd held its first initiation of 1945 on Friday night, March 2nd. The initiation was preceded by cocktails and dinner at the Manor House on Seventh Street, facing Los Angeles' famous West Lake Park.

There was much cause for celebration as on the day of the meeting the Los Angeles Credit Manager's Assn., was able to boast of an even 1000 members. The initiation, team, headed by Superzeb Henri (Viva La France) Tailleur had little difficulty "breaking" and "harnessing" the new quaggas. We are happy to announce these new members in Herd No. 1: Mel (Bozza Cardoza) Gorder, Wm. (Knudson Creamery) Gaster, Elmo (Wilson Paper) Trimble, Ed (Vernon Kilns) Fischer Dorsey (O'Keefe & Merritt) Caldwell, Frank (Bank of America) Schoff, and last but far from least, Otto (L.A.C.M.A.) Moen. Why it has taken the latter so long to become a Zebra will ever be a mystery, and we are not sure whether he realizes he has finally made the grade or not.

During the dinner the Los Angeles Herd was privileged to view a loving cup presented by Grand Exalted Superzeb, Less Fishbeck as a trophy for National contest between the Zebra Herds. The cup is truly a thing of beauty, and the Los Angeles Herd is working hard to make sure that we are the first to win it. Also at dinner each Zebra was presented a handsome Certificate of Membership. The balance of the evening was spent listening and viewing several entertainers recently returned from U.S.O. tours, and dealing a few cards from both the top and bottom of the deck. The new curfew regulations, of course, sent us all home at midnight. So what, we'd lost enough anyway.

Bridgeport "C" Men Hear Discussion of Termination Plans

Bridgeport: The March meeting of the Bridgeport Association of Credit Men was held Wednesday, March 14 with fifty members in attendance. Speakers were O. Jay Silverman and S. Kohleriter, who gave a very informative talk on Contract Terminations. Joseph Rubanow, Vice President, Eastern Division, National Association of Credit Men, and a Vice President of the Manufacturers Trust Co. of New York City, was a guest and gave a brief talk on the membership campaign now under way. He complimented the Officers and Directors of the Bridgeport Association on their very splendid showing.

THE PHOENIX-CONNECTICUT GROUP of Fire Insurance Companies



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Insurance Company, Hartford, Conn.

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*The
Connecticut*

Fire Insurance Co., Hartford, Conn.

1850

FOUTABLE

Fire & Marine Insurance Company

PROVIDENCE, R.I.

1859

ATLANTIC FIRE INSURANCE CO.
Raleigh, North Carolina

THE CENTRAL STATES FIRE INS. CO.
Wichita, Kansas

GREAT EASTERN FIRE INSURANCE CO.
White Plains, N. Y.

MINNEAPOLIS F. & M. INSURANCE CO.
Minneapolis, Minn.

RELIANCE INS. CO. OF CANADA
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Credit Women of N.Y.C.M.A. Hear Ad Club President

New York: Miss Caroline Hood, president of the New York Advertising Women's Club and public relations director for Radio City, was the speaker at the March 1st meeting of the Credit Women's Group of the New York Association.

At this meeting the Group welcomed four of the officers from the newly formed Bridgeport Credit Women's Group—Anna May Dean, President—Hazel Fraher, Vice President—Catherine Lee, Secretary, and Mildred MacLeod, Treasurer. These ladies have been promoting their Group in such a fine manner, that they can now proudly boast of the membership of over 70 whereas they started with a nucleus of just 25—more power to you, Bridgeport!

Miss Lillian Bean who, in effect, actually employs the Red Cross personnel who is serving abroad, was on hand to give a very graphic picture of some of the experiences retold to her and, of course, urged continued cooperation with that agency.

It was just 9 years ago that the New York Credit Women's Group inaugurated the Helen R. Pouch Scholarship award, which has become a nation wide tradition with the other Credit Women's Groups. Again this year they will have the examination on April 24 and Marion McSherry (Schenley Distillers Corp.), Chairman of the Educational Committee, will announce the winners in the next issue of Credit and Financial Management.

Miss Ida Hill (Harriet Hubbard Ayer), president of the Group announced the next meeting will be held April 17 instead of the 5th, so the members might attend the senior seminar on "Management" which is to be given by the New York Credit Men's Association.

Chicago: Newly elected officers of the Credit Women's Club of Chicago were installed at a dinner meeting of the club in the Stevens' restaurant, Tuesday evening March 13 at which time the retiring president, Antoinette Rehauer, Peerless Confection Co., presented her annual report.

The new officers of the club are:

President, Anita L. Krueger, The Scholl Mfg. Co., Inc.

Vice President, Jane H. Moran, National Association of Credit Men.

Treasurer, Irene Morrissey, Henry Menester and Brother.

Recording Secretary, Marguerite Johann, Pepsodent Division, Lever Brothers Company.

Financial Secretary, Esther A. Bossman, New & Frank Co.

Corresponding Secretary, Eleanor Sullivan, Chicago Times, Inc.

Los Angeles. The Credit Women's Club of Los Angeles, had as its speaker for the March meeting, Mrs. Jean M. Robinson of the Textile Research Department of White King Soap Co. She gave a very interesting talk on "Chemistry in Every Day Living" with elaboration on the development of textiles, the part they are playing in the winning of the war and their future use and proper care. Mrs. Robinson has visited the plants of many famous companies, holds a Special Credential which permits her to teach and lecture in Educational centers, is a member of the Consumer Advisory Council of L. A. City Schools and of Better Business Bureau of L. A., and member of National Committee known as Consumers' Relation Committee.

Cleveland: The Cleveland Credit Women's Club heard A. T. Colwell, Vice-President of Thompson Products, Inc., talk about Post War Air Transportation at its meeting on March 13th. Aviation, Mr. Colwell said, opens a new era which over the next century could make even the most optimistic predictions seem ridiculous. Movies, showing many interesting and some humorous airplane inventions of the present day, followed Mr. Colwell's talk. Among the guests present were Mr. and Mrs. Kenneth Thomson and Mr. Thomson surprised the club by making a presentation of a lovely gavel inscribed in recognition of the work of the War Service Committee which has made such a splendid record in the sale of war stamps and bonds. Hazel McDonald is chairman of this hard working committee.

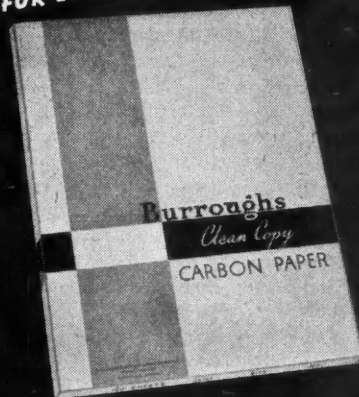
Denver: The regular March meeting of the Denver Credit Women was held Monday, March 19th. The meeting consisted of the election and installation of officers for the coming year. Our new officers are: Mary Elliott, President; Ramona Calkins, Vice President; Lois Ryman, Secretary; and Norine Nylander, Treasurer. During the meeting the members were entertained by Shorty, Sue and Sally who broadcast for the Coors Brewing Company.

Toledo: The Toledo Credit Women held their fifth anniversary birthday party at the Woman's Building March 6th. After dinner Rev. Arthur W. Olson of the Unitarian Church reviewed the Book "The Time for Decision" by Sumner Wells. Harriet Silvers, president, presided at the business session which included the election of officers.

Stag Party at Milwaukee

Milwaukee—Members of the Milwaukee Association of Credit Men enjoyed a stag night "Gemuetlichkeit" where they were guests of Frank Prah, Credit Manager of the Joseph Schlitz Brewing Co.

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LINCOLN AT GETTYSBURG

• It was four score years ago that Millers National Insurance Company received its charter. The year was 1865. Less than two years before, Abraham Lincoln had stood in the new national cemetery at Gettysburg, Pa., and quietly delivered the immortal address which begins, "Four score and seven years ago . . ."

Illinois Fire was founded in 1876. Next time specify one of these established, time-tested fire companies.

MILLERS NATIONAL
Insurance Company

ILLINOIS FIRE

Insurance Company
HOME OFFICE: CHICAGO

Helen Ferguson of Detroit Is Named Secretary-Treasurer

Detroit: Miss Helen Ferguson, who began her business career as a clerk in the employ of the Clayton & Lambert Manufacturing Co. 27 years ago, has been elected secretary-treasurer of her company.

Miss Ferguson's election makes her one of the high ranking women of American industry. Clayton & Lambert, prewar makers of automotive stampings, fire pots and blow torces, employ more than 4,500 workers in its Detroit and Ashland, Ky. plants and produce more than \$30,000,000 of 40-millimeter shell cases annually for the Navy.

For several years, Miss Ferguson had been assistant secretary and assistant treasurer of the company. To clear the way for her promotion, Charles F. Lambert, president, relinquished his post of treasurer, and Renville Wheat, counsel, resigned as secretary.

Faulstich Heads Slate for Chicago Officers

Chicago: At a regular business meeting of The Chicago Association of Credit Men held in connection with the March Forum at the La Salle Hotel, Wednesday evening, March 14 the Administration Nominating Committee presented the following ticket of officers for the fiscal year beginning May 1:

President, H. H. Faulstich, The First National Bank of Chicago.

1st Vice President, C. W. Dittmar, Crane Co.

2nd Vice President, R. L. Seaman, The Florsheim Shoe Co.

Treasurer, J. E. Walsh, Oscar Mayer & Co.

In addition President Holman appointed a Members' Nominating Committee as follows: A. E. Halvorsen, Lake Shore National Bank, Chairman, George W. Haag, Sharp & Dohme, Inc., Anita L. Krueger, The Scholl Mfg. Co., Inc., C. C. Posvick, Corey Steel Company and W. F. Pretzel, Bunte Brothers. This committee is to report and further nominations not later than April 4.

The election of officers to take place Wednesday, April 18. The date for the annual meeting to be announced later.

Phone Executive Talks on "Voice" at St. Louis Forum

St. Louis—The March Forum Meeting of the St. Louis Association of Credit Men held at the DeSoto Hotel on March 8 was addressed by Clifford G. Wassall, District Manager of the Southwestern Bell Telephone Company. Mr. Wassall spoke of the importance of proper voice in telephone conversations and demonstrated his talk with a machine called the "Mirrophone."

Henry H. Heimann Completes Long Speaking Tour

(Continued from page 33)

was, "Our Post War Responsibility, Can Business Carry It?" The meeting was largely attended and was presided over by C. L. Holman, Wilson Brothers, President of The Chicago Association of Credit Men.

At the conclusion of Mr. Heimann's address considerable time was devoted to a Question and Answer program which proved highly interesting and instructive.

During his visit to Chicago, Mr. Heimann met with the presidents of credit men's organizations in the Fifth District which includes Illinois, Indiana, Michigan and Wisconsin. He was also a guest at dinner of the regular meeting of the Board of Directors of the Chicago Association.

Simpson and Heimann at Louisville

Louisville—President Robert L. Simpson of New Orleans and Executive Manager Henry H. Heimann of New York were the speakers at the Spring Dinner Meeting of the Louisville Credit Men's Association on March 13. More than four hundred were out for this meeting which was considered exceptional in view of the recent flood threat in the Louisville area. The Louisville Association recently celebrated its eighth year of ownership of its own building. A recent issue of the bulletin of one of the other large business organizations of Louisville contained a picture of the Louisville building and an article concerning the enterprise of the Louisville Association in buying and occupying its own structure.

250 Out at Lexington

Lexington—Business and credit executives to the number of two hundred fifty were on hand for the address of Executive Manager Henry H. Heimann at a dinner meeting of the Lexington Credit Men's Association on March 12. W. Q. Harned, President of the Louisville Credit Men's Association and Sam J. Schneider, Secretary-Manager, and Robert J. Meyer of the Louisville Association staff were present at the meeting.

The growth of the Lexington Association under the direction of the Louisville staff is shown by the fact that when Louisville took over there were only sixteen active members, the present membership is ninety-eight and about two hundred fifty members and invited guests were on hand for the dinner.

The Lexington *Herald-Leader* devoted one of its editorial items to comment on Executive Manager Heimann's address under the title of "A Realistic Appraisal."

Cleveland "C" Men Study Business Postwar Problems

Cleveland—Two credit clinics were held during March by the Cleveland Association of Credit Men. The first clinic was held on Tuesday, March 6, under the direction of President Stolto. The second clinic was devoted to Credit Information. B. G. McGrew, Credit Manager of U. S. Steel Products Co. lead the discussion on Sources of Information on New Orders. R. E. Relyea, Credit Manager of J. M. & L. A. Osborn Co. lead the discussion on Analysis of Credit Information. Each leader devoted twenty minutes to discussion of his subject followed by twenty minutes devoted to a question and answer period. The clinic started at 5:00 o'clock and closed promptly at 6:00.

The association also held an all day forum on March 29 on Business After the War. The afternoon program running from 3:00 to 5:30 was under the chairmanship of Ray Gidney, President Federal Reserve Bank of Cleveland. The dinner session was presided over by Elmer Lindseth, Chairman of the Cleveland Committee for Economic Development. The speakers at this session were Thomas A. Burke, Jr., Mayor of Cleveland, John F. Fennelly, who spoke on tax reform for maximum production and consumption.

Position Open

Outstanding manufacturer located in Illinois requires an Export Credit Manager immediately—age 30 to 40—must be well versed in export credit administration—thoroughly conversant with all foreign trade controls and restrictions. Excellent starting salary and a fine opportunity for advancement. Box A-4, Credit and Financial Management.

Positions Wanted

Credit Manager—Executive with thirty years' experience in both retail and wholesale business. Thoroughly familiar with all phases of credit work and accounting practices. Competent to manage a large department and its many personnel problems. Experienced in customer contact with its relationship to promotion of sales. Married, one son in U. S. Navy. \$5,000 to \$6,000. Box A-3, Credit and Financial Management.

Credit executive—Now employed, desires change—College graduate, 19 years experience, all branches Credit, Collections, handling personnel, Accounting. Location immaterial but position must offer possibilities for the future. Box A-1, Credit and Financial Management.

Credit Executive—Age 49, nation-wide experience—12 years with last firm—now available for connection as Credit Manager—or responsible position in Administrative Office—can handle—train and supervise a large personnel—further details as to back-ground available—have traveled the entire United States. Write Credit and Financial Management Box A-2.

Held in Bankruptcy-
Accused of Concealing
\$50,000 in Assets

Charges of moral bankruptcy

Remaining Assets Sold at
Public Auction-Dividend
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The petition, filed by attorneys

Store Locked-
Owner Skipped
Assets-None

A permanent injunction to pre-

Remember these—in bygone days?...Yes, history will repeat!

These were familiar and oft-repeated headlines ten years ago, when commercial fraud was exacting *annual tribute of a quarter of a billion dollars* from business.

Cooperative effort among creditors, and, more recently, shortages brought about by the war, have reduced substantially this type of loss.

But—with the return of civilian goods in ample quantity, the “buying-for-a-bust” fraud promoter will become active again.

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your Systems and Methods Technician
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Kompakt Metal Fasteners; Charge-
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Files that add extra filing efficiency.

● Your troubles are over, Miss Green. No more wading into a correspondence "jungle" in search of papers as elusive as a wily old trout. Cast away your fishing gear.

Take either of our two newest systems designed to endow your filing with speed, accuracy, appearance and convenience. *Variadex* is a unique development that preserves the simplicity of direct alphabetic filing and permits unlimited expansion without waste. *Triple Check Automatic* applies a new principle that makes it the world's fastest system.

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